

**Supplemental Reporting Document  
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February 2009 Investment Committee Meeting  
(December 2008 Reporting Period)**

**Quarterly Reports**

Real Estate

Inflation Linked Assets



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February 17, 2009

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Real Estate Quarterly Performance Report  
as of September 30, 2008
- II. PROGRAM:** Real Estate
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The enclosed Real Estate Quarterly Performance Report for the quarter ending September 30, 2008, has been prepared by staff from the Performance Monitoring Unit with assistance from CalPERS' Real Estate Unit and Pension Consulting Alliance, Inc. (PCA). The one-year total returns (as of September 30, 2008) for the Real Estate Portfolio were -16.5% before fees and -17.6% after fees. The since inception return of the Real Estate Portfolio was 10.0% after fees, with the income component generating 6.4% and the appreciation component generating 3.6%.

**V. STRATEGIC PLAN:**

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The data in the report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This item provides information to the Investment Committee on the assets and performance of the fund.

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Alejo Gutierrez  
Investment Officer  
Performance Monitoring Unit

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Alok Jain  
Investment Officer  
Performance Monitoring Unit

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Christopher Lum  
Investment Officer  
Performance Monitoring Unit

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Dana Elliott  
Investment Officer  
Performance Monitoring Unit

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Phil Henderson  
Investment Officer  
Performance Monitoring Unit

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Matthew Flynn  
Division Chief  
Operations, Performance &  
Technology

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Kenneth W.Marzion  
Interim Chief Operating  
Investment Officer

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Theodore H. Eliopoulos  
Interim Chief Investment Officer



**STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**



**REAL ESTATE PORTFOLIO  
PERFORMANCE REPORT**

Quarter Ending September 30, 2008



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
REAL ESTATE PORTFOLIO PERFORMANCE REPORT  
For the Quarter Ending September 30, 2008**

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## **I. EXECUTIVE SUMMARY**

Total Real Estate Portfolio (as of September 30, 2008)						
	Current Quarter	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
<b>Total</b>						
Net Assets at Fair Market Value	\$21,936,063,090					
Nominal Returns, Before Fees						
Income	-0.3%	-4.6%	1.0%	4.0%	5.8%	7.2%
Appreciation	-3.6%	-12.0%	7.6%	14.0%	8.9%	4.1%
Total	-3.9%	-16.5%	8.5%	18.0%	14.7%	11.4%
Nominal Returns, After Fees						
Income	-0.6%	-5.7%	-0.6%	2.3%	4.5%	6.4%
Appreciation	-3.4%	-11.8%	6.4%	11.7%	7.6%	3.6%
Total	-4.1%	-17.6%	5.7%	14.0%	12.1%	10.0%
NCREIF Index (Before Fees)	-0.2%	5.3%	13.3%	14.2%	11.8%	9.0%
<b>Core</b>						
Net Assets at Fair Market Value	\$11,200,269,664					
Nominal Returns, Before Fees						
Income	0.6%	2.1%	3.2%	4.8%	6.4%	7.8%
Appreciation	-1.9%	3.4%	14.6%	19.4%	11.5%	4.2%
Total	-1.3%	5.5%	17.8%	24.3%	17.9%	12.0%
Nominal Returns, After Fees						
Income	0.4%	1.5%	2.5%	4.2%	5.8%	7.3%
Appreciation	-1.8%	3.5%	13.4%	16.8%	10.1%	3.6%
Total	-1.4%	4.9%	15.9%	21.0%	15.9%	10.9%
<b>Non-Core</b>						
Net Assets at Fair Market Value	\$10,735,793,426					
Nominal Returns, Before Fees						
Income	-1.3%	-10.7%	-1.1%	3.7%	5.1%	5.3%
Appreciation	-5.3%	-23.7%	1.3%	8.3%	5.7%	5.4%
Total	-6.6%	-34.4%	0.1%	11.9%	10.8%	10.7%
Nominal Returns, After Fees						
Income	-1.8%	-12.5%	-3.9%	0.1%	2.3%	3.7%
Appreciation	-5.1%	-23.3%	0.2%	6.8%	4.9%	5.0%
Total	-6.9%	-35.7%	-3.6%	7.0%	7.2%	8.7%

## **Real Estate Quarterly Performance Report Disclosure**

CalPERS' Performance Monitoring Unit compiles this Quarterly Performance Report (QPR) using financial information provided by real estate investment partners. CalPERS requires its investment partners to prepare and submit financial statements quarterly and to provide audited financial statements annually. CalPERS relies on the auditor's opinion regarding the financial statements. The QPR is updated to reflect the most current financial information provided by the real estate investment partner.

The financial information for real estate program performance lags one-quarter due to industry reporting cycles. Each real estate investment partner supplies its quarterly financial statements to CalPERS' Performance Monitoring Unit (PMU), for the prior quarter. The PMU reviews the financial statements and performs analytical procedures to ensure the financial reports, prepared by the partners, are consistent with prior periods and comparable with other similarly situated CalPERS real estate investment partners. Such analytical procedures include comparisons of management and incentive fees, expenses, long-term debt, and return on equity. The financial data in the QPR is reviewed consistent with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

PCA Real Estate Advisors, Inc. (PCA RE) (the Board's Consultant for Real Estate), provides oversight services to PMU for the performance reporting process, and assists PMU in verifying that the investment partners' financial statement information is properly utilized to calculate the time-weighted returns presented in the QPR. PCA RE reviews and comments on the QPR in final form prior to its submission to the Investment Committee. In addition, PCA RE reviews the real estate performance returns and asset values that are provided to State Street (CalPERS' master custodian) for reporting the Total Fund's performance.

As required by the Board's Policy for Equity Real Estate Appraisal and Valuation, core real estate assets are appraised annually; non-core assets are appraised based on a risk adjusted basis. Independent real estate appraisal firms provide an unbiased and neutral opinion of asset value. All appraisals are completed in compliance with NCREIF's Real Estate Investment Standards and the Appraisal Institute's Uniform Standards of Professional Appraisal Practice. The PMU verifies that these independently appraised values are reflected in the investment partners' financial statements used to produce the QPR.



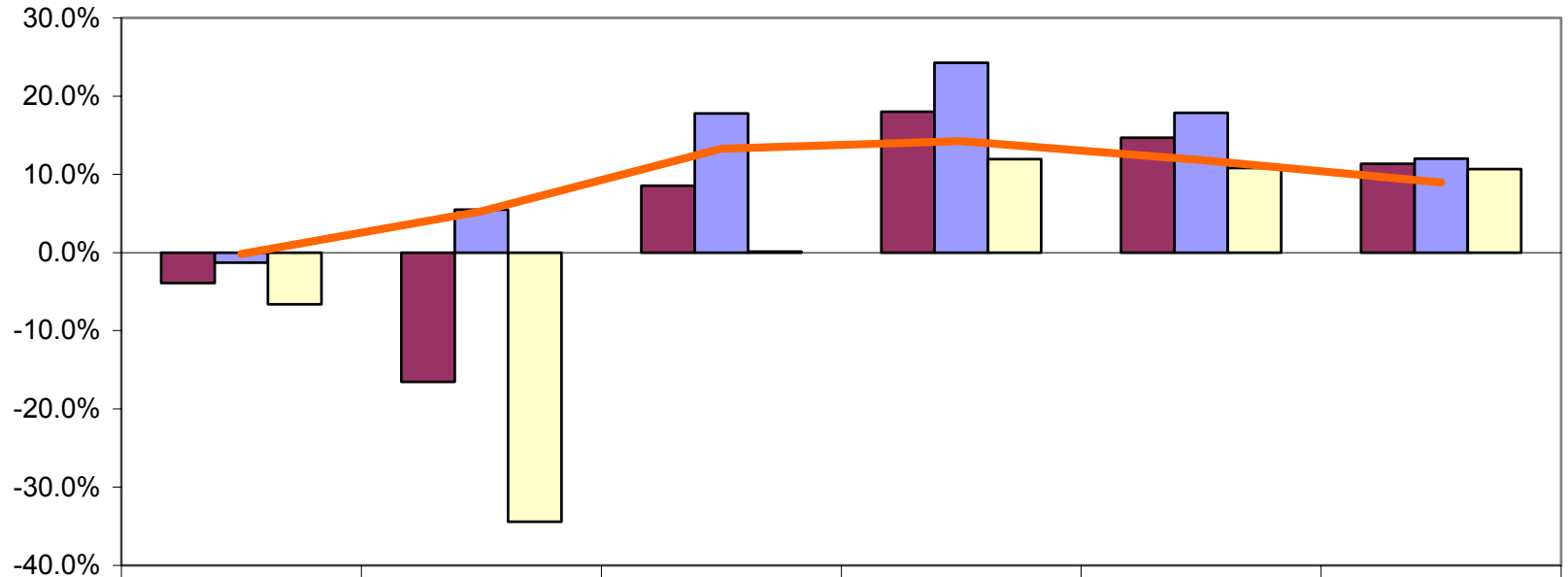
## Real Estate Portfolio Performance Summary

- ♦ **Total Portfolio Performance** – The one-year (as of September 30, 2008) total return for the Total Real Estate Portfolio was -16.5% before fees and -17.6% after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 10.0% as of September 30, 2008, with the income component generating a 6.4% return and the appreciation component generating a 3.6% return.
- ♦ **Core Portfolio Performance** – The one-year (as of September 30, 2008) total return for the Core Portfolio was 5.5% before fees and 4.9% after fees. The nominal after fee total return (since inception) for the Core Portfolio was 10.9% as of September 30, 2008, with the income component generating a 7.3% return and the appreciation component generating a 3.6% return. The total before fee returns for the Office Sector, which reflect the September 30, 2008 valuations, were -15.5% for the current quarter and -12.7% for the one-year return as compared to the NCREIF Office Sector which reported a -0.3% current quarter return and a 6.1% one-year return.
- ♦ **Non-Core Portfolio Performance** – The one-year (as of September 30, 2008) total return for the Non-Core Portfolio was -34.4% before fees and -35.7% after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 8.7% as of September 30, 2008, with the income component generating a 3.7% return and the appreciation component generating a 5.0% return. The Housing Program generated a -17.5% before fee return for the current quarter and a -104.6% before fee return for the one-year period. In addition, the REIT Composite generated a -13.3% before fee return for the current quarter and a -34.0% before fee return for the one-year period. The Timberland sector was transferred into the Inflation Linked Asset Class in the 4<sup>th</sup> Quarter 2007. The Non-Core portfolio includes historical Timberland returns prior to the 4<sup>th</sup> Quarter 2007, but not thereafter. (See page II-1 for additional comments regarding Non-Core Portfolio performance.)

## Real Estate Portfolio Performance Summary (cont.)

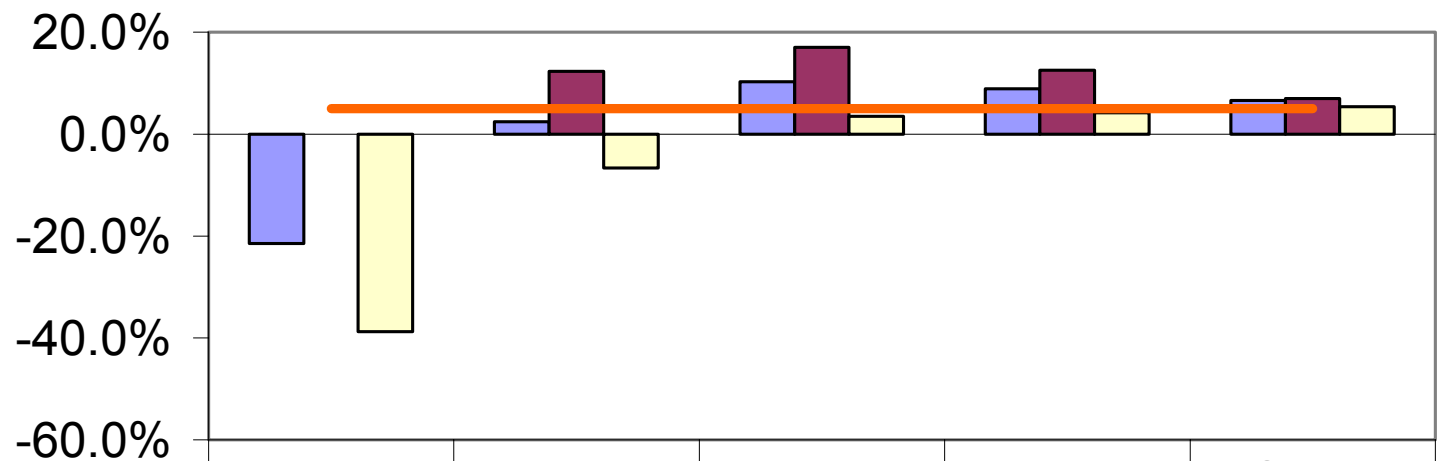
- ♦ **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for the five year, ten year, and since inception periods, as shown in the following chart on page I - 5, titled *Total Real Estate Portfolio, Comparison to NCREIF Index, Nominal Returns, Before Fees*. In addition, the Core Portfolio outperformed the Index for all periods except the current quarter. The Non-Core Portfolio outperformed the Index for the since inception period. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- ♦ **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5% for the Core Portfolio and exceed 5% for the Non-Core Portfolio. The Core has exceeded the real rate of return benchmark for all periods except the one year. The Non-Core exceeded the benchmark for the since inception period. The Total Portfolio exceeded the benchmark for all periods except the one year and 3 year periods. All real rates of returns are shown on the chart located on page I - 6 titled *Total Real Estate Portfolio, Comparison to Real Rate of Return, Benchmark, After Fees*. (Refer to Appendix page V-24 for CPI index and Real Rate of Return calculation.)

**Total Real Estate Portfolio  
Comparison to NCREIF Index  
Nominal Returns, Before Fees  
(as of September 30, 2008)**



	Current Qtr.	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
CalPERS' Total	-3.9%	-16.5%	8.5%	18.0%	14.7%	11.4%
CalPERS' Core	-1.3%	5.5%	17.8%	24.3%	17.9%	12.0%
CalPERS' Non-Core	-6.6%	-34.4%	0.1%	11.9%	10.8%	10.7%
NCREIF	-0.2%	5.3%	13.3%	14.2%	11.8%	9.0%

**Total Real Estate Portfolio  
Comparison to Real Rate of Return  
Benchmark, After Fees  
(as of September 30, 2008)**



	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
CalPERS' Total	-21.4%	2.4%	10.3%	8.9%	6.6%
CalPERS' Core	0.0%	12.3%	17.0%	12.6%	7.0%
CalPERS' Non-Core	-38.8%	-6.7%	3.5%	4.2%	5.4%
CalPERS' Benchmark	5.0%	5.0%	5.0%	5.0%	5.0%

**II. SIGNIFICANT EVENTS /  
MATERIAL EXCEPTIONS TO POLICY /  
CREDIT ACCOMMODATIONS**

## **Significant Events / Material Exceptions to Policy (As Reported by the Real Estate Unit)\***

### **Significant Events**

- The -17.6% one-year return for the Real Estate Portfolio was primarily driven by negative returns in the Non-Core program. The Housing portfolio and REIT program were the two main sectors to have an impact with -104.6% and -34.0% returns, respectively. However, the Real Estate portfolio has outperformed the NCREIF Property Index over the 5-year and 10-year periods.
- The negative returns in the Housing Program were primarily driven by a combination of a slowdown in absorption/sales of new homes and a decline in fair market value.
- The Public REITs -13.3% before-fee return for the quarter was a result of concerns over the weakened outlook for global economic growth and the continued deterioration of the global financial and credit markets. Property stocks in Asia led the declines, posting -22.4% for the quarter. However, this was partially offset by a 5.49% increase in North American property stocks.
- The International and Opportunistic Funds posted before-fee quarterly declines of -5.4% and -9.1%, respectively. These declines were primarily driven by a combination of declining property values, slowing distributions, and in some cases currency depreciation.
- The September 30, 2008 appraisals of the Office portfolio resulted in an unrealized before-fee quarterly return of approximately -15.5%, reflecting on-going capital market pressure.

\*Note – Data reflected in this section has been provided by the Real Estate Unit for informational purposes. It has not been independently verified by the Performance Monitoring Unit.

### **Material Exceptions to Policy\***

- CalPERS' Core asset exposure in the Midwest region was approximately 33.0% as of September 30, 2008, or 8.0% above the upper policy range of 10%-25%. The Midwest Region is composed of two NCREIF divisions (West/North Central and East/North Central). The Core asset exposure in the South Region was approximately 9.4% as of September 30, 2008, or 5.6% below the lower policy range of 15%-30%. The South Region is composed of two NCREIF divisions (Southwest and Southeast). These percentages will continue to adjust as Staff make additional portfolio sales or purchases to bring the Core Portfolio within policy range.

\*Note – Data reflected in this section has been provided by the Real Estate Unit for informational purposes. It has not been independently verified by the Performance Monitoring Unit.

### Credit Accommodations\*

	Sector	Funded Credit Accommodation	Unfunded Credit Accommodation	Total Allocated Credit Accommodation
<b>Core</b>	<b>Apartment</b>	\$ -	\$ -	\$ -
	<b>Industrial</b>	\$ -	\$ -	\$ -
	<b>Office</b>	\$ -	\$ -	\$ -
	<b>Other Private</b>	\$ -	\$ -	\$ -
	<b>Retail</b>	\$ -	\$ -	\$ -
<b>Total Core</b>		0	0	0
<b>Non Core</b>	<b>Agriculture</b>	\$ -	\$ -	\$ -
	<b>CURE</b>	\$ 145,567,000	\$ 304,433,000	\$ 450,000,000
	<b>Housing</b>	\$ 305,895,000	\$ 415,733,000	\$ 721,628,000
	<b>International</b>	\$ 831,002,620	\$ 338,857,080	\$ 1,169,859,700
	<b>Opportunistic RE</b>	\$ -	\$ -	\$ -
	<b>Technology</b>	\$ -	\$ -	\$ -
	<b>Senior Housing</b>	\$ -	\$ -	\$ -
<b>Total Non Core</b>		\$ 1,282,464,620	\$ 1,059,023,080	\$ 2,341,487,700
<b>Total Portfolio</b>		\$ 1,282,464,620	\$ 1,059,023,080	\$ 2,341,487,700

Total Permitted Amount of Credit Accommodations (e.g. Guarantees) in Real Estate is \$5,430,710,653. This figure represents the total amount that may be allocated to the partnerships but does not represent current allocated amount. The Total Permitted Amount of Credit Accommodations is derived by multiplying the CalPERS total fund \$217,228,426,101 (as of 9/30/08) by the 10% real estate target allocation and subsequently multiplying the resulting figure by the maximum allowable guarantee of 25%.

\*Note – Data reflected in this section has been provided by the Real Estate Unit for informational purposes. These amounts are not reflected in the Net Assets at Fair Market Value and are not taken into account when calculating the performance figures. These figures have not been independently verified by the Performance Monitoring Unit.



### **III. PERFORMANCE DETAIL BY SUBPORTFOLIO**

Total Real Estate Portfolio Performance Detail by Subportfolio and Sector For the Period Ending September 30, 2008									
	Net Assets at Fair Market Value			Total Nominal Returns Before Fees					
	Inception Date	Amount	% of Portfolio	Qtr	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception
Core									
Private									
Apartment	Mar-86	\$3,205,126,750	14.6%	0.0%	6.5%	20.3%	23.2%	18.3%	12.2%
Industrial	Apr-82	4,027,611,930	18.4%	0.6%	-3.3%	12.4%	20.9%	15.9%	12.6%
Office	Apr-82	1,146,100,572	5.2%	-15.5%	-12.7%	14.1%	21.2%	16.0%	10.7%
Retail	Apr-82	2,391,690,184	10.9%	1.0%	39.9%	27.9%	32.7%	21.5%	13.6%
AFL-CIO Building Investment Trust	Mar-91	181,552,575	0.8%	0.2%	4.9%	12.4%	12.0%	10.1%	9.0%
CIM Urban REIT	Feb-05	248,187,653	1.1%	1.3%	11.0%	8.5%	N/AP	N/AP	7.3%
Total Core	Apr-82	\$11,200,269,664	51.1%	-1.3%	5.5%	17.8%	24.3%	17.9%	12.0%
Non-Core									
Private									
Agricultural Land	Jul-02	168,205,593	0.8%	0.1%	9.9%	-0.1%	-1.4%	N/AP	-2.4%
California Urban Real Estate (CURE)	Feb-97	2,652,572,181	12.1%	-0.7%	16.5%	23.5%	33.0%	21.6%	19.7%
Housing	Jun-92	1,100,521,642	5.0%	-17.5%	-104.6%	-136.8%	-160.9%	N/M	N/M
International	Apr-98	2,492,741,744	11.4%	-5.4%	-1.1%	21.8%	20.9%	9.8%	8.7%
Opportunistic Funds	Jan-03	2,128,082,337	9.7%	-9.1%	-3.4%	9.2%	99.3%	N/AP	N/M
Real Estate Technology	Nov-99	185,510,211	0.8%	0.0%	3.1%	44.4%	43.0%	N/AP	21.8%
Senior Housing	Jun-01	378,184,280	1.7%	-0.2%	-13.1%	32.8%	44.7%	N/AP	33.0%
Public (REITS)									
Non-Core REIT Composite	Jul-02	1,629,975,438	7.4%	-13.3%	-34.0%	0.3%	10.6%	N/AP	10.6%
Total Non-Core	Dec-84	\$10,735,793,426	48.9%	-6.6%	-34.4%	0.1%	11.9%	10.8%	10.7%
Total Portfolio		\$21,936,063,090	100.0%	-3.9%	-16.5%	8.5%	18.0%	14.7%	11.4%
Benchmark: NCREIF Property Index				-0.2%	5.3%	13.3%	14.2%	11.8%	9.0%

<sup>1</sup> In June 30, 2008 a write-down of \$3.1 Billion exceeded the \$2.4 Billion net assets of the Housing sector as of March 31, 2008. This resulted in excess of negative 100% for the 1, 3, and 5 year Housing sector returns.

Total Real Estate Portfolio Performance Detail by Subportfolio and Sector For the Period Ending September 30, 2008									
	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns After Fees				
		Amount	% of Portfolio		1-Yr	3-Yr	5-Yr	10-Yr	Since Inception
Core									
Private									
Apartment	Mar-86	\$3,205,126,750	14.6%	-0.1%	5.9%	17.9%	19.7%	15.9%	10.8%
Industrial	Apr-82	4,027,611,930	18.4%	0.4%	-3.8%	10.5%	17.9%	14.1%	11.6%
Office	Apr-82	1,146,100,572	5.2%	-15.2%	-13.0%	12.1%	17.1%	13.5%	9.4%
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AFL-CIO Building Investment Trust	Mar-91	181,552,575	0.8%	0.0%	3.9%	11.3%	10.9%	9.0%	7.8%
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Non-Core									
Private									
Agricultural Land	Jul-02	168,205,593	0.8%	-1.8%	9.5%	-1.2%	-2.6%	N/AP	-3.6%
California Urban Real Estate (CURE)	Feb-97	2,652,572,181	12.1%	-0.9%	14.4%	20.5%	27.4%	17.9%	16.5%
Housing	Jun-92	1,100,521,642	5.0%	-20.4%	-104.3%	-134.3%	-156.5%	N/M	N/M
International	Apr-98	2,492,741,744	11.4%	-5.5%	-5.0%	14.0%	11.8%	4.6%	3.7%
Opportunistic Funds	Jan-03	2,128,082,337	9.7%	-8.8%	-4.6%	2.2%	81.9%	N/AP	N/M
Real Estate Technology	Nov-99	185,510,211	0.8%	-0.1%	2.1%	44.9%	38.9%	N/AP	15.3%
Senior Housing	Jun-01	378,184,280	1.7%	-0.6%	-10.9%	28.4%	38.4%	N/AP	28.6%
Public (REITS)									
Non-Core REIT Composite	Jul-02	1,629,975,438	7.4%	-13.4%	-34.2%	0.2%	10.6%	N/AP	10.5%
Total Non-Core	Dec-84	\$10,735,793,426	48.9%	-6.9%	-35.7%	-3.6%	7.0%	7.2%	8.7%
Total Portfolio		\$21,936,063,090	100.0%	-4.1%	-17.6%	5.7%	14.0%	12.1%	10.0%
Benchmark: NCREIF Property Index (Before Fee)				-0.2%	5.3%	13.3%	14.2%	11.8%	9.0%

<sup>1</sup> In June 30, 2008 a write-down of \$3.1 Billion exceeded the \$2.4 Billion net assets of the Housing sector as of March 31, 2008. This resulted in excess of negative 100% for the 1, 3, and 5 year Housing sector returns.

#### **IV. PERFORMANCE BY PARTNERSHIP**

<b>Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account</b> <b>For the Period Ending September 30, 2008</b>									
	Inception Date	<u>Net Assets at Fair Market Value</u>		<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR</u> <sup>1</sup> Since Inception
		Amount	% of Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	
<b>Core</b>									
Apartment									
GID Advisors - Windsor Realty Fund III	Jan-98	166,578,309	1.5%	0.1%	9.7%	22.9%	31.3%	22.3%	19.1%
BlackRock Realty - Western Multifamily	Jan-98	3,038,548,441	27.1%	0.0%	6.3%	18.9%	19.4%	15.9%	15.0%
Industrial									
LaSalle - CalEast Global Logistics	Apr-98	3,702,294,898	33.1%	0.4%	-4.4%	7.1%	15.5%	13.7%	N/AP
RREEF - CalWest	Apr-98	325,317,031	2.9%	2.2%	11.7%	30.3%	36.2%	22.5%	16.7%
Office									
CWP - Fifth Street Properties, LLC	Jul-98	85,823,117	0.8%	-23.4%	-20.9%	16.0%	23.4%	18.8%	<sup>2</sup> 18.3%
CWP Managed	Jul-01	140,103,929	1.3%	-6.8%	-2.7%	16.9%	13.8%	11.3%	N/AP
Hines - National Office Partners, L.P.	Jul-98	920,173,526	8.2%	-7.6%	-4.7%	17.5%	27.2%	17.4%	12.2%
Retail									
First Washington - Global Retail Investors	Dec-05	107,909,858	1.0%	1.4%	28.4%	N/AP	N/AP	11.0%	N/AP
Miller Capital - Institutional Mall Investors	Oct-03	2,282,847,755	20.4%	1.0%	39.9%	27.9%	31.1%	31.1%	N/AP
Other Private									
AFL - CIO Building Investment Trust	Mar-91	181,552,575	1.6%	0.2%	4.9%	12.4%	12.0%	9.0%	N/AP
CIM Management - CIM Urban REIT	Feb-05	248,187,653	2.2%	1.3%	11.0%	8.5%	N/AP	7.3%	N/AP
<b>Total Core</b>	Apr-82	<b>11,199,337,092</b> <sup>3</sup>	<b>100.0%</b>	<b>-1.3%</b>	<b>5.5%</b>	<b>17.8%</b>	<b>24.3%</b>	<b>12.0%</b>	

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>2</sup> Not meaningful and/or high negative return(s) are due to large realized and/or unrealized loss.

<sup>3</sup> Excludes sold portfolio activity.

<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account (Before Fee)</b> <b>For the Period Ending September 30, 2008</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR <sup>1</sup></u>
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Non-Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>	<u>Since Inception</u>
<b>Non-Core</b>									
Agricultural Land									
Meriwether Farms, LLC	May-04	68,469,932	0.6%	1.8%	0.9%	-2.7%	N/AP	-4.2%	N/AP
Pacific Vineyard Partners, LLC	Jul-02	99,735,661	0.9%	-1.2%	18.3%	2.2%	-0.1%	-1.4%	N/AP
California Urban Real Estate (CURE)									
AGI -TMG Housing Partners I, LLC	Nov-06	1,602,812	0.0% <sup>4</sup>	2.5%	-2.5%	N/AP	N/AP	-0.4%	N/AP
Bridge Urban Infill Land Development, LLC	Jun-02	68,699,649	0.6%	-1.3%	-0.7%	-1.1%	1.5%	3.1%	N/AP
Buchanan Urban Investors II, LLC	Aug-03	308,941,674	2.9%	0.6%	19.5%	17.3%	N/AP	15.7%	42.6%
California Smart Growth Fund IV	Jul-06	39,583,340	0.4%	-17.9%	-19.6%	N/AP	N/AP	-10.0%	N/AP
California Urban Investment Partners, LLC	Feb-97	513,021,838	4.8%	-1.0%	31.6%	34.5%	N/M	37.8% <sup>5</sup>	N/AP
CalSmart, LLC	Mar-01	296,933,384	2.8%	0.6%	14.4%	25.2%	27.6%	19.2%	36.4%
Centerline Urban Capital I, LLC	Jun-02	141,540,539	1.3%	-9.7%	-9.1%	-4.0%	2.4%	4.1%	15.3%
CIM Calif. Urban Real Estate Fund, L.P.	Dec-00	610,130,151	5.7%	1.5%	35.9%	46.6%	N/M	N/M <sup>6</sup>	N/AP
CityView America Fund	Jul-05	166,602,473	1.6%	-0.7%	-11.1%	16.2%	N/AP	14.9%	N/AP
City View LA Land Fund I, L.P.	Apr-07	1,829,214	0.0% <sup>4</sup>	-3.9%	-9.7%	N/AP	N/AP	-10.1%	N/AP
KAREC California Development Program, LLC	Apr-02	209,480,708	2.0%	2.1%	8.9%	20.1%	21.5%	21.8%	47.9%
KSC Affordable Housing Investment Fund, LLC	Jan-03	31,863,942	0.3%	0.0%	0.2%	-0.2%	-1.9%	-2.1%	17.0%
Legacy Partners Affordable Housing Fund	Jun-03	67,624,069	0.6%	0.0%	0.0%	0.0%	-0.1%	-0.1%	59.8%
Pacific Cityhome, LLC	Aug-03	194,138,582	1.8%	-0.4%	-9.7%	1.1%	10.0%	10.3%	N/AP
Housing									
Hearthstone Advisors									
Hearthstone Housing Partners II, L.P.	Aug-04	122,010,017	1.1%	0.7%	-55.9%	-35.6%	N/AP	-25.9% <sup>2</sup>	18.5%
Hearthstone Housing Partners III, L.P.	Oct-06	(2,751,662)	0.0% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>7</sup>	N/AP
Hearthstone MS Value Added III, LLC	Sep-03	(1,216,139)	0.0% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>8</sup>	59.5%
Hearthstone Path-of-Growth Fund	Nov-05	54,916,898	0.5%	1.9%	-72.9%	-35.1%	N/AP	-35.1% <sup>2</sup>	N/AP

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>2</sup> Not meaningful and/or high negative return(s) are due to large realized and/or unrealized loss.

<sup>4</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>5</sup> Not meaningful and/or high return(s) are due to the large realized and/or unrealized appreciation compared to the NAV.

<sup>6</sup> Return(s) are not meaningful due to high realized and unrealized appreciation relative to a small NAV in fourth quarter 2003.

<sup>7</sup> Return(s) stated as "N/M" are not meaningful due to negative net assets which may have occurred in a prior quarter.

<sup>8</sup> Not meaningful and/or high negative return(s) are due to the large negative appreciation and negative net investment income compared to the NAV.

**Non-Core Real Estate Portfolio**  
**Performance Detail by Partnership / Account (Before Fee)**  
**For the Period Ending September 30, 2008**

	Net Assets at Fair Market Value				Total Nominal Returns Before Fees				Realized
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Project IRR <sup>1</sup> Since Inception
Non-Core Continued									
Housing (Continued)									
Institutional Housing Partners									
IHP Investment Fund I, L.P.	Jul-92	100,090,962	0.9%	0.7%	140.5%	80.2%	48.0%	34.9%	<sup>9</sup> 36.6%
IHP Investment Fund II, L.P.	Sep-95	24,382,631	0.2%	-0.7%	-37.0%	-2.7%	N/M	N/M	<sup>10</sup> 25.8%
IHP Investment Fund III, L.P.	Oct-99	355,297,727	3.3%	-7.8%	-22.5%	-1.5%	16.6%	16.4%	34.0%
IHP Investment Fund V, L.P.	Jan-03	13,533,995	0.1%	-30.9%	-80.3%	N/M	N/M	N/M	<sup>11</sup> -14.6%
M/W Housing Partners									
MW Housing Partners III, L.P.	Jan-01	(418,856,272)	-3.9%	<sup>4</sup> N/M	N/M	N/M	N/M	N/M	<sup>12</sup> 47.7%
Newland Capital Advisors									
Cal-Land Asset Partners, LP	Aug-95	29,070,017	0.3%	-0.5%	39.3%	9.8%	11.5%	3.0%	9.8%
Newland National Partners, L.P.	Oct-99	207,684,197	1.9%	-0.8%	-49.7%	-11.3%	-2.4%	0.5%	39.1%
Newland National Partners II, L.P.	Oct-03	128,241,885	1.2%	2.1%	79.4%	19.8%	12.8%	12.8%	<sup>9</sup> N/AP
Newland National Partners III, L.P.	May-05	76,717,911	0.7%	-5.7%	-85.8%	-49.7%	N/AP	-44.7%	<sup>2</sup> N/AP
Newland National Partners IV, L.P.	Jun-06	77,315,285	0.7%	3.9%	-96.0%	N/AP	N/AP	-75.2%	<sup>2</sup> N/AP
Resmark Equity Partners, LLC									
ORA Multifamily Investments I, L.P.	Dec-04	(7,426,476)	-0.1%	<sup>4</sup> N/M	N/M	N/M	N/AP	N/M	<sup>13</sup> 36.3%
ORA Residential Investments I, L.P.	Oct-99	41,807,046	0.4%	-8.8%	-63.5%	-14.7%	7.8%	18.6%	<sup>2</sup> 44.2%
Shea Homes, L.P.									
Shea Capital I, LLC	Apr-05	119,458,720	1.1%	-13.6%	N/M	N/M	N/M	N/M	<sup>14</sup> N/AP
Shea Mountain House, LLC	May-05	134,684,573	1.3%	N/M	N/M	N/M	N/M	N/M	<sup>7</sup> N/AP
Wells Fargo Realty Advisors									
WFHAI Housing Fund, L.P.	Aug-92	49,104,485	0.5%	0.5%	-41.2%	2.0%	13.9%	29.8%	<sup>2</sup> 31.0%
Olson Urban Housing	Feb-00	(4,231,313)	0.0%	<sup>4</sup> 0.0%	N/M	N/M	N/M	N/M	<sup>15</sup> N/AP

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has not completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>2</sup> Not meaningful and/or high negative return(s) are due to large realized and/or unrealized loss.

<sup>4</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>7</sup> Return(s) stated as "N/M" are not meaningful due to negative net assets which may have occurred in a prior quarter.

<sup>9</sup> Return(s) are high due to realized and/or unrealized appreciation.

<sup>10</sup> The beginning NAV for the third and fourth quarters of 2003 became negative, which is the cause of the not meaningful returns.

<sup>11</sup> High negative and not meaningful 3 year, 5 year, and since inception returns are due to a material year-end audit impairment write-down of several projects in IHP V in the fourth quarter of 2006. The current quarter and the 1 year high negative return is due to realized and/or unrealized loss and negative net investment income.

<sup>12</sup> The N/M returns were due to a \$1.5 Billion write down taken by MW III in June 30, 2008 which also caused negative net assets.

<sup>13</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>14</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>15</sup> High negative and/or not meaningful return(s) are due to large negative net investment income.

**Non-Core Real Estate Portfolio**  
**Performance Detail by Partnership / Account (Before Fee)**  
**For the Period Ending September 30, 2008**

	Net Assets at Fair Market Value			Total Nominal Returns Before Fees					Realized
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Project IRR <sup>1</sup>
								Since Inception	Since Inception
Non-Core Continued									
International									
Aetos Capital Asia T.E., L.P.	Feb-03	53,348,219	0.5%	-1.3%	-4.5%	24.8%	38.0%	N/M <sup>16</sup>	36.4%
Aetos Capital Asia T.E. II, L.P.	Sep-05	305,658,641	2.8%	-8.9%	-5.9%	-2.6%	N/AP	N/M <sup>17</sup>	33.3%
Aetos Asia Real Estate Securities Opportunity Fund	Apr-07	10,856,030	0.1%	0.0%	-17.2%	N/AP	N/AP	-6.8%	N/AP
ARA Asia Dragon Fund	Oct-07	76,217,810	0.7%	0.4%	-10.4%	N/AP	N/AP	-10.4%	N/AP
CBRE Strategic Partners, Europe Fund III	Dec-06	5,882,722	0.1%	-8.5%	N/M	N/AP	N/AP	N/M <sup>13</sup>	N/AP
CBRE Strategic Partners, UK Fund II, L.P.	May-05	38,506,959	0.4%	-37.5%	-58.7%	N/M	N/AP	N/M <sup>18</sup>	N/AP
CBRE Strategic Partners UK Fund III, L.P.	Dec-06	6,755,362	0.1%	-53.7%	-133.4%	N/AP	N/AP	N/M <sup>14</sup>	N/AP
DB Real Estate Global Opportunities 1A, L.P.	Dec-03	4,890,835	0.0% <sup>4</sup>	49.5%	150.1%	N/M	N/AP	N/M <sup>18</sup>	18.9%
DB Real Estate Global Opportunities 1B, L.P.	Dec-03	44,684,416	0.4%	-4.4%	34.3%	50.8%	N/AP	N/M <sup>17</sup>	12.3%
Fortress Investment Fund IV	Jul-06	82,945,689	0.8%	-8.6%	-5.5%	N/AP	N/AP	1.3%	19.4%
Fortress Residential Investment Deutschland	Aug-05	75,328,955	0.7%	-6.7%	-34.8%	-12.0%	N/AP	-14.1%	13.8%
GAGFAH Fortress	Oct-06	51,752,842	0.5%	13.3%	-31.2%	N/AP	N/AP	-35.8%	N/AP
Harbert European Real Estate Fund II, L.P.	Jun-06	15,003,200	0.1%	-9.0%	6.4%	N/AP	N/AP	-18.7%	N/AP
HCB Interests (Hines Brazil)	Aug-05	96,646,857	0.9%	4.3%	13.9%	N/M	N/AP	N/M <sup>13</sup>	N/AP
Hines CALPERS Brazil Fund II	Apr-07	(30,620,428)	-0.3% <sup>4</sup>	2.9%	-38.6%	N/AP	N/AP	N/M <sup>13</sup>	N/AP
HCM Holdings (Hines Mexico)	Jan-05	83,227,820	0.8%	0.8%	-13.8%	13.8%	N/AP	N/M <sup>19</sup>	N/AP
Hines CALPERS Mexico Fund II	Apr-07	6,434,039	0.1%	8.7%	-8.1%	N/AP	N/AP	N/M <sup>13</sup>	N/AP
Hines China Fund	Jul-06	377,895	0.0% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>18</sup>	N/AP
Hines European Development Fund	Mar-03	(866,141)	0.0% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>13</sup>	N/AP
Hines European Development Fund II	Mar-07	78,225	0.0% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>18</sup>	N/AP
Hines Residential Sunbelt Spain Fund	Jan-06	(2,182,510)	0.0% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>13</sup>	N/AP
IL & FS India Realty Fund, LLC	Apr-06	104,947,224	1.0%	-0.9%	-5.5%	N/AP	N/AP	N/M <sup>19</sup>	N/AP
IL & FS India Realty Fund II, LLC	Jan-08	(3,918,216)	0.0% <sup>4</sup>	N/M	N/AP	N/AP	N/AP	N/M <sup>13</sup>	N/AP
IXIS AEW European Property Investors, L.P.	Sep-04	81,050,293	0.8%	1.2%	32.2%	45.2%	N/AP	N/M <sup>16</sup>	71.5%
JER Europe Fund III	Mar-06	27,712,907	0.3%	-22.5%	-29.7%	N/AP	N/AP	N/M <sup>13</sup>	-53.3%

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>4</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>13</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>14</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>16</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>17</sup> Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.

<sup>18</sup> Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>19</sup> High negative and/or not meaningful return(s) are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.



**Non-Core Real Estate Portfolio**  
**Performance Detail by Partnership / Account (Before Fee)**  
**For the Period Ending September 30, 2008**

	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns Before Fees				Realized Project IRR <sup>1</sup>	
		Amount	% of Non-Core		1-Yr	3-Yr	5-Yr	Since Inception	Since Inception	
Non-Core Continued										
International (Continued)										
LaSalle Asia Opportunity Fund III	Sep-07	6,687,464	0.1%	-3.5%	N/M	N/AP	N/AP	N/M	<sup>13</sup>	N/AP
LaSalle French Fund II	Dec-05	54,386,966	0.5%	-1.8%	46.1%	-11.3%	N/AP	-11.3%		N/AP
LaSalle Japan Logistics Fund II	Sep-07	4,252,874	0.0%	1.6%	N/M	N/AP	N/AP	N/M	<sup>18</sup>	N/AP
MGPA Asia Fund II	Aug-05	101,723,998	0.9%	-1.8%	52.1%	24.8%	N/AP	16.4%		143.4%
MGPA Europe Parallel Fund II	Aug-05	78,503,823	0.7%	-10.4%	-4.7%	N/M	N/AP	N/M	<sup>13</sup>	14.3%
NIAM Nordic Investment Fund III, L.P.	Sep-04	57,875,073	0.5%	-6.2%	16.7%	59.3%	N/AP	33.8%	<sup>9</sup>	87.0%
NIAM Nordic Investment Fund IV	Jan-08	32,311,374	0.3%	5.0%	N/AP	N/AP	N/AP	N/M	<sup>16</sup>	N/AP
Prudential - PLA Residential Fund I	Jul-04	67,960,229	0.6%	2.3%	45.5%	37.0%	N/AP	26.9%		19.7%
Prudential - PLA Retail Fund I	Nov-06	32,355,130	0.3%	-2.1%	14.1%	N/AP	N/AP	N/M	<sup>16</sup>	N/AP
RREEF Global Opportunities Fund II	Dec-05	162,587,509	1.5%	-14.8%	-10.5%	-15.0%	N/AP	-15.0%		N/AP
SDL Hospitality Co-Invest Fund	Oct-05	171,363,055	1.6%	-10.3%	31.9%	45.9%	N/AP	45.9%		N/AP
Secured Capital Asia	Jun-06	337,744,953	3.1%	0.2%	7.8%	N/AP	N/AP	N/M	<sup>5</sup>	N/AP
Secured Capital Japan	Mar-04	10,058,828	0.1%	0.2%	11.3%	48.0%	N/AP	36.8%		N/AP
Secured Capital Japan II	Sep-05	77,114,411	0.7%	-0.5%	15.5%	N/M	N/AP	N/M	<sup>17</sup>	N/AP
Sun Apollo India Real Estate Fund	Jan-07	12,834,395	0.1%	-7.2%	-13.4%	N/AP	N/AP	N/M	<sup>13</sup>	N/AP
Xander Cassander Co-Investment	Aug-07	149,573,670	1.4%	-8.4%	-15.2%	N/AP	N/AP	-12.5%		N/AP
Xander JV Fund I, LLC	Sep-07	688,346	0.0%	N/M	N/M	N/AP	N/AP	N/M	<sup>5</sup>	N/AP
Opportunistic Funds										
301 Capitol Mall, L.P.	Jun-07	(2,353,910)	0.0%	N/M	N/M	N/AP	N/AP	N/M	<sup>18</sup>	N/AP
400 R Street	Apr-05	15,163,949	0.1%	4.1%	20.0%	13.4%	N/AP	N/M	<sup>18</sup>	N/AP
American Value Partner Fund I	Sep-06	8,674,514	0.1%	-24.9%	N/M	N/AP	N/AP	N/M	<sup>14</sup>	N/AP
Apollo Real Estate Investment Fund V, L.P.	Sep-05	55,062,260	0.5%	-14.1%	-8.8%	N/M	N/AP	N/M	<sup>19</sup>	65.2%
Apollo Real Estate Finance Company	Sep-06	50,057,102	0.5%	5.3%	25.5%	N/AP	N/AP	N/M	<sup>19</sup>	N/AP
Capmark Structured Real Estate Partners	Nov-06	47,747,140	0.4%	-7.5%	-40.7%	N/AP	N/AP	-15.1%		N/AP
CIM Fund III, L.P.	May-06	19,371,521	0.2%	-8.7%	0.6%	N/AP	N/AP	N/M	<sup>13</sup>	N/AP
CMR Commercial Mortgage Fund	Nov-06	44,252,888	0.4%	3.5%	14.9%	N/AP	N/AP	-2.1%		N/AP

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<sup>4</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>5</sup> Not meaningful and/or high return(s) are due to the large realized and/or unrealized appreciation compared to the NAV.

<sup>9</sup> Return(s) are high due to realized and/or unrealized appreciation.

<sup>13</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>14</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>16</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>17</sup> Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.

<sup>18</sup> Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>19</sup> High negative and/or not meaningful return(s) are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.

**Non-Core Real Estate Portfolio**  
**Performance Detail by Partnership / Account (Before Fee)**  
**For the Period Ending September 30, 2008**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees					Realized
	Inception		% of Non-						Project IRR <sup>1</sup>	
	Date	Amount	Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception	
Non-Core Continued										
Opportunistic Funds (Continued)										
Fillmore East Fund, L.P.	Dec-05	68,578,845	0.6%	3.3%	5.7%	N/M	N/AP	N/M	17	N/AP
Global Innovation Partners II	Sep-05	450,334,016	4.2%	-8.6%	7.9%	5.9%	N/AP	5.3%		41.0%
Global Innovation Partners III	Jul-08	0	0.0%	0.0%	N/AP	N/AP	N/AP	0.0%	20	N/AP
Guggenheim Structured Real Estate Fund II	Jan-06	49,857,641	0.5%	-53.3%	-51.0%	N/AP	N/AP	N/M	21	5.7%
Guggenheim Structured Real Estate Fund III	Oct-07	56,280,487	0.5%	1.6%	10.7%	N/AP	N/AP	10.7%		N/AP
Hampshire Partners Fund VI	Dec-03	30,730,719	0.3%	0.0%	15.8%	17.7%	N/AP	24.8%		48.3%
Hines Green Development Fund	Aug-06	(3,145,934)	0.0%	N/M	N/M	N/AP	N/AP	N/M	13	N/AP
Hollywood Park Co-Investors Fund	Oct-05	94,546,386	0.9%	6.2%	5.5%	N/M	N/AP	N/M	13	N/AP
Integral Urban Fund I	Oct-06	25,517,706	0.2%	-5.2%	N/M	N/AP	N/AP	N/M	13	N/AP
JER U.S. Debt Co-Investment Vehicle, L.P.	Dec-07	55,887,489	0.5%	-14.3%	-25.2%	N/AP	N/AP	-25.2%		N/AP
Kennedy Wilson Property Fund II	Nov-05	46,375,985	0.4%	-0.2%	16.6%	N/M	N/AP	N/M	16	N/AP
Lowe Resort Community Fund, LLC	Oct-06	7,363,515	0.1%	-3.0%	-12.8%	N/AP	N/AP	-13.7%		N/AP
Market Street Capital Partners, LP/Divco West	Jul-06	27,895,075	0.3%	1.1%	4.2%	N/AP	N/AP	N/M	7	N/AP
Next Block Medical Fund I, L.P.	Jun-06	49,748,862	0.5%	0.7%	27.3%	N/AP	N/AP	1.9%		N/AP
Page Mill / Divco West	Jan-03	4,163,025	0.0%	0.7%	-30.8%	24.6%	N/M	N/M	18	43.3%
Page Mill Properties II, L.P.	Jul-06	66,976,772	0.6%	-3.6%	-10.6%	N/AP	N/AP	N/M	13	N/AP
Principal Mortgage Value Investors, L.P.	Apr-07	51,857,707	0.5%	-27.3%	-85.4%	N/AP	N/AP	-76.6%	2	N/AP
Prudential PRECO III	Jul-06	72,323,469	0.7%	1.4%	18.8%	N/AP	N/AP	9.2%		N/AP
RLJ Urban Lodging II	May-06	74,423,120	0.7%	1.5%	3.5%	N/AP	N/AP	4.1%		N/AP
RLJ Real Estate Fund III	Jul-08	4,640,423	0.0%	N/M	N/AP	N/AP	N/AP	N/M	18	N/AP
Rockpoint Real Estate Fund II	Sep-05	30,302,330	0.3%	-22.3%	-17.7%	N/M	N/AP	N/M	16	76.6%
Rockpoint Real Estate Fund III	Sep-07	2,301,386	0.0%	-53.4%	N/M	N/AP	N/AP	N/M	14	N/AP
San Diego Smart Growth Fund	Jul-05	12,757,344	0.1%	-0.1%	-26.9%	-11.6%	N/AP	-10.8%		N/AP
Sares-Regis Group of Northern California	Jul-05	19,647,875	0.2%	2.7%	8.8%	5.0%	N/AP	5.2%		N/AP
Savanna Real Estate Fund I, L.P.	Jan-07	31,695,443	0.3%	7.5%	0.6%	N/AP	N/AP	N/M	13	N/AP
Starwood Capital Hospitality Fund I	Apr-05	163,907,979	1.5%	-27.2%	-23.4%	N/M	N/AP	N/M	14	N/AP

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>2</sup> Not meaningful and/or high negative return(s) are due to large realized and/or unrealized loss.

<sup>4</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>7</sup> Return(s) stated as "N/M" are not meaningful due to negative net assets which may have occurred in a prior quarter.

<sup>13</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>14</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>16</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>17</sup> Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.

<sup>18</sup> Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>20</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

<sup>21</sup> High negative return(s) are due to large negative net investment income. Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account (Before Fee)</b> <b>For the Period Ending September 30, 2008</b>										
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR <sup>1</sup></u>	
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception	
<b>Non-Core Continued</b>										
Opportunistic Funds (Continued)										
Stockbridge Real Estate Fund II	Oct-05	24,043,191	0.2%	-34.9%	-38.5%	N/M	N/AP	N/M <sup>14</sup>		N/AP
Strategic Partners Value Enhancement Fund	Jul-05	42,426,898	0.4%	-0.8%	-5.2%	N/M	N/AP	N/M <sup>19</sup>		83.3%
TPG Hospitality Investments IV	Apr-06	234,120,438	2.2%	0.5%	31.1%	N/AP	N/AP	15.3%		N/AP
Urban America LP II	Jan-07	67,531,506	0.6%	-0.3%	-3.9%	N/AP	N/AP	-26.9%		N/AP
Windsor Realty Fund VII, L.P.	Oct-06	27,017,176	0.3%	0.7%	9.4%	N/AP	N/AP	N/M <sup>13</sup>		N/AP
REITS										
Adelante Sun King I REIT	Mar-07	137,891,600	1.3%	-6.9%	-22.1%	N/AP	N/AP	-22.1%		N/AP
Asian Real Estate Securities Transition Account	May-08	42,664,564	0.4%	-25.9%	N/AP	N/AP	N/AP	-36.8% <sup>20</sup>		N/AP
CITIGROUP International REIT	Jan-07	45,920,021	0.4%	-20.3%	-40.6%	N/AP	N/AP	-24.6%		N/AP
European Investors International REIT	Jan-07	111,941,864	1.0%	-22.0%	-45.2%	N/AP	N/AP	-28.1%		N/AP
Extended Market Index REIT	Jun-02	468,755,783	4.4%	4.4%	-12.8%	5.5%	14.0%	13.3%		N/AP
International Asset Allocation REIT	Mar-06	418,596,824	3.9%	-19.7%	-40.6%	N/AP	N/AP	-6.6%		N/AP
Morgan Stanley International REIT	Jan-07	163,169,296	1.5%	-18.7%	-39.5%	N/AP	N/AP	-21.2%		N/AP
PRESIMA International REIT	Jan-07	116,009,610	1.1%	-19.9%	-44.7%	N/AP	N/AP	-26.5%		N/AP
RREEF International REIT	Jan-07	125,025,876	1.2%	-20.6%	-42.3%	N/AP	N/AP	-23.6%		N/AP
Real Estate Technology										
Global Innovation Partners	Apr-01	185,510,211	1.7%	0.0%	3.1%	44.4%	43.0%	26.9%		40.7%
Senior Housing										
AEW Senior Housing Company, LLC	Jun-01	107,001,822	1.0%	0.8%	23.3%	52.4%	47.5%	34.3% <sup>9</sup>		35.7%
Fortress Holiday Co-Investment	Feb-07	61,617,510	0.6%	-6.6%	-7.9%	N/AP	N/AP	-6.0%		20.8%
Fortress RIC Coinvestment Fund	Jul-06	15,977,531	0.1%	8.4%	-41.6%	N/AP	N/AP	-15.4%		N/AP
Senior Housing UK Investment II	Jan-08	5,688,903	0.1%	-1.1%	N/M	N/AP	N/AP	N/M <sup>13</sup>		N/AP
SHP Senior Housing Fund, LLC	Jan-03	187,898,514	1.8%	0.8%	-21.7%	29.3%	72.8%	65.9% <sup>9</sup>		N/AP
<b>Total Non-Core</b>	Dec-84	<b>\$10,734,526,463</b> <sup>22</sup>	<b>94.6%</b>	<b>-6.6%</b>	<b>-34.4%</b>	<b>0.1%</b>	<b>11.9%</b>	<b>10.7%</b>		

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>9</sup> Return(s) are high due to realized and/or unrealized appreciation.

<sup>13</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>14</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>19</sup> High negative and/or not meaningful return(s) are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.

<sup>20</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

<sup>22</sup> Excludes sold portfolio activity.

<b>Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account (After Fee)</b> <b>For the Period Ending September 30, 2008</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>					<u>Realized</u> <u>Project IRR</u> <sup>23</sup>
	<u>Inception</u> <u>Date</u>	<u>Amount</u>	<u>% of Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since</u> <u>Inception</u>	<u>Since Inception</u>
<b>Core</b>									
Apartment									
GID Advisors - Windsor Realty Fund III	Jan-98	166,578,309	1.5%	-0.2%	8.1%	20.3%	26.1%	19.2%	16.8%
BlackRock Realty - Western Multifamily	Jan-98	3,038,548,441	27.1%	-0.1%	5.8%	16.6%	16.8%	14.1%	13.5%
Industrial									
LaSalle - CalEast Global Logistics	Apr-98	3,702,294,898	33.1%	0.3%	-4.9%	5.8%	13.3%	12.2%	N/AP
RREEF - CalWest	Apr-98	325,317,031	2.9%	2.1%	11.0%	26.4%	31.3%	20.0%	15.4%
Office									
CWP - Fifth Street Properties, LLC	Jul-98	85,823,117	0.8%	-17.7%	-17.0%	7.4%	15.8%	14.3% <sup>24</sup>	16.1%
CWP Managed	Jul-01	140,103,929	1.3%	-6.9%	-3.3%	16.2%	13.2%	10.7%	N/AP
Hines - National Office Partners, L.P.	Jul-98	920,173,526	8.2%	-7.8%	-5.5%	15.3%	22.7%	14.8%	11.1%
Retail									
First Washington - Global Retail Investors	Dec-05	107,909,858	1.0%	1.1%	27.2%	N/AP	N/AP	9.9%	N/AP
Miller Capital - Institutional Mall Investors	Oct-03	2,282,847,755	20.4%	0.9%	39.2%	27.2%	30.4%	30.4%	N/AP
Other Private									
AFL - CIO Building Investment Trust	Mar-91	181,552,575	1.6%	0.0%	3.9%	11.3%	10.9%	7.8%	N/AP
CIM Management - CIM Urban REIT	Feb-05	248,187,653	2.2%	1.0%	9.7%	7.1%	N/AP	6.0%	N/AP
<b>Total Core</b>	Apr-82	<b>11,199,337,092</b> <sup>25</sup>	<b>100.0%</b>	<b>-1.4%</b>	<b>4.9%</b>	<b>15.9%</b>	<b>21.0%</b>	<b>10.9%</b>	

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has not completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>24</sup> Negative investment management fee and/or negative incentive fee causes after fee returns to be higher than the before fee returns.

<sup>25</sup> Excludes sold portfolio activity.

Non-Core Real Estate Portfolio									
Performance Detail by Partnership / Account (After Fee)									
For the Period Ending September 30, 2008									
	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns After Fees				Realized
		Amount	% of Non-Core		1-Yr	3-Yr	5-Yr	Since Inception	Project IRR <sup>23</sup> Since Inception
Non-Core									
Agricultural Land									
Meriwether Farms, LLC	May-04	68,469,932	0.6%	-2.2%	-2.7%	-4.9%	N/AP	-6.1%	N/AP
Pacific Vineyard Partners, LLC	Jul-02	99,735,661	0.9%	-1.5%	20.9%	2.0%	-0.7%	-2.2%	<sup>26</sup> N/AP
California Urban Real Estate (CURE)									
AGI -TMG Housing Partners I, LLC	Nov-06	1,602,812	0.0%	<sup>27</sup> -11.2%	-41.3%	N/AP	N/AP	N/M	<sup>28</sup> N/AP
Bridge Urban Infill Land Development, LLC	Jun-02	68,699,649	0.6%	-1.5%	-1.6%	-1.6%	1.1%	2.9%	N/AP
Buchanan Urban Investors II, LLC	Aug-03	308,941,674	2.9%	0.4%	17.1%	15.5%	N/AP	14.1%	33.6%
California Smart Growth Fund IV	Jul-06	39,583,340	0.4%	-18.6%	-22.2%	N/AP	N/AP	-16.6%	N/AP
California Urban Investment Partners, LLC	Feb-97	513,021,838	4.8%	-1.4%	27.5%	31.4%	N/M	31.2%	<sup>29</sup> 19.8%
CalSmart, LLC	Mar-01	296,933,384	2.8%	0.5%	9.6%	18.9%	22.5%	16.0%	29.5%
Centerline Urban Capital I, LLC	Jun-02	141,540,539	1.3%	-10.0%	-10.4%	-5.2%	1.1%	2.9%	13.8%
CIM Calif. Urban Real Estate Fund, L.P.	Dec-00	610,130,151	5.7%	1.4%	35.2%	45.4%	N/M	N/M	<sup>30</sup> N/AP
CityView America Fund	Jul-05	166,602,473	1.6%	-0.9%	-12.5%	N/M	N/AP	N/M	<sup>31</sup> N/AP
City View LA Land Fund, I L.P.	Apr-07	1,829,214	0.0%	<sup>27</sup> N/M	N/M	N/AP	N/AP	N/M	<sup>31</sup> N/AP
KAREC California Development Program, LLC	Apr-02	209,480,708	2.0%	1.9%	15.7%	19.4%	18.1%	19.1%	<sup>32</sup> 42.7%
KSC Affordable Housing Investment Fund, LLC	Jul-02	31,863,942	0.3%	-0.3%	-1.2%	-1.9%	-3.6%	-3.7%	15.7%
Legacy Partners Affordable Housing Fund	Jun-03	67,624,069	0.6%	-0.3%	-1.9%	-0.6%	-0.5%	-0.4%	47.6%
Pacific Cityhome, LLC	Aug-03	194,138,582	1.8%	-0.8%	-12.5%	-5.8%	-4.5%	-9.0%	N/AP
Housing									
Hearthstone Advisors									
Hearthstone Housing Partners II, L.P.	Aug-04	122,010,017	1.1%	0.8%	-56.2%	-36.3%	N/AP	-26.5%	<sup>33</sup> 8.4%
Hearthstone Housing Partners III, L.P.	Oct-06	(2,751,662)	0.0%	<sup>27</sup> N/M	N/M	N/AP	N/AP	N/M	<sup>34</sup> N/AP
Hearthstone MS Value Added III, LLC	Sep-03	(1,216,139)	0.0%	<sup>27</sup> N/M	N/M	N/M	N/M	N/M	<sup>35</sup> 43.8%
Hearthstone Path-of-Growth Fund	Nov-05	54,916,898	0.5%	1.9%	-72.9%	-35.1%	N/AP	-35.1%	<sup>33</sup> N/AP

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>26</sup> Reversal of previous unrealized gain causes after fee for the one year returns to be higher than the respective before fee returns.

<sup>27</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>28</sup> High negative and/or not meaningful returns are due to large negative net investment income relative to weighted average equity. Large discrepancy between before and after fee returns due to large management fee and/or incentive fee relative to NAV.

<sup>29</sup> Not meaningful and/or high return(s) are due to the large realized and/or unrealized appreciation compared to the NAV.

<sup>30</sup> Return(s) are not meaningful due to high realized and unrealized appreciation relative to a small NAV in fourth quarter 2003.

<sup>31</sup> High negative and/or not meaningful returns are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.

<sup>32</sup> One year after fee returns are higher than before fee returns due to negative incentive fee in the fourth quarter 2007.

<sup>33</sup> Not meaningful and/or negative return(s) are due to large realized and/or unrealized loss.

<sup>34</sup> Return(s) stated as "N/M" are not meaningful due to negative net assets. This negative NII or NAV may have occurred in a prior quarter.

<sup>35</sup> Not meaningful and/or high negative return(s) are due to the large negative appreciation and negative net investment income compared to the NAV.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (After Fee) For the Period Ending September 30, 2008									
	Inception Date	Net Assets at Fair Market Value			Total Nominal Returns After Fees			Since Inception	Realized Project IRR <sup>23</sup> Since Inception
		Amount	% of Non- Core	Qtr	1-Yr	3-Yr	5-Yr		
Non-Core Continued									
Housing (Continued)									
Institutional Housing Partners									
IHP Investment Fund I, L.P.	Jul-92	100,090,962	0.9%	0.5%	106.9%	67.2%	36.8%	25.0% <sup>36</sup>	35.4%
IHP Investment Fund II, L.P.	Sep-95	24,382,631	0.2%	-1.1%	-38.3%	-4.7%	N/M	N/M <sup>37</sup>	25.3%
IHP Investment Fund III, L.P.	Oct-99	355,297,727	3.3%	-8.3%	-24.2%	-6.8%	7.5%	8.5%	33.0%
IHP Investment Fund V, L.P.	Jan-03	13,533,995	0.1%	-31.7%	-80.5%	N/M	N/M	N/M <sup>38</sup>	N/AP
M/W Housing Partners									
MW Housing Partners III, L.P.	Jan-01	(418,856,272)	-3.9% <sup>27</sup>	N/M	N/M	N/M	N/M	N/M <sup>39</sup>	30.3%
Newland Capital Advisors									
Cal-Land Asset Partners, LP	Aug-95	29,070,017	0.3%	-0.5%	39.3%	9.8%	11.2%	1.7%	8.5%
Newland National Partners, L.P.	Oct-99	207,684,197	1.9%	-0.8%	-49.7%	-11.3%	-2.4%	0.5%	38.1%
Newland National Partners II, L.P.	Oct-03	128,241,885	1.2%	2.1%	79.4%	19.8%	13.1%	13.1% <sup>36</sup>	0.0%
Newland National Partners III, L.P.	May-05	76,717,911	0.7%	-5.7%	-85.8%	-49.7%	N/AP	-44.7% <sup>33</sup>	0.0%
Newland National Partners IV, L.P.	Jun-06	77,315,285	0.7%	3.9%	-96.0%	N/AP	N/AP	-75.2% <sup>33</sup>	0.0%
Resmark Equity Partners, LLC									
ORA Multifamily Investments I, L.P.	Dec-04	(7,426,476)	-0.1% <sup>27</sup>	N/M	N/M	N/M	N/AP	N/M <sup>40</sup>	31.0%
ORA Residential Investments I, L.P.	Oct-99	41,807,046	0.4%	-11.6%	-67.0%	-23.7%	-4.6%	7.4% <sup>33</sup>	37.1%
Shea Homes, L.P.									
Shea Capital I, LLC	Apr-05	119,458,720	1.1%	-15.7%	N/M	N/M	N/M	N/M <sup>41</sup>	N/AP
Shea Mountain House, LLC	May-05	134,684,573	1.3%	N/M	N/M	N/M	N/M	N/M <sup>34</sup>	N/AP
Wells Fargo Realty Advisors									
WFHAI Housing Fund, L.P.	Aug-92	49,104,485	0.5%	-9.1%	-56.5%	-12.0%	0.9%	16.3% <sup>33</sup>	24.4%
Olson Urban Housing	Feb-00	(4,231,313)	0.0% <sup>27</sup>	0.0%	N/M	N/M	N/M	N/M <sup>42</sup>	N/AP

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>27</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>33</sup> Not meaningful and/or negative return(s) are due to large realized and/or unrealized loss.

<sup>34</sup> Return(s) stated as "N/M" are not meaningful due to negative net assets. This negative NII or NAV may have occurred in a prior quarter.

<sup>36</sup> Return(s) are high due to realized and/or unrealized appreciation.

<sup>37</sup> The beginning NAV for the third and fourth quarters of 2003 became negative, which is the cause of the not meaningful returns.

<sup>38</sup> High negative and not meaningful 3 year, 5 year, and since inception returns are due to a material year-end audit impairment write-down of several projects in IHP V in the fourth quarter of 2006. The 1 year high negative return is due to realized and/or unrealized loss.

<sup>39</sup> The high negative current quarter return of less than -1000% as well as the N/M returns were due to a \$1.5 Billion write down taken by MW III in June 30, 2008. See pages II-1 & III-2 for further explanation.

<sup>40</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>41</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>42</sup> High negative and/or not meaningful return(s) are due to large negative net investment income.

**Non-Core Real Estate Portfolio**  
**Performance Detail by Partnership / Account (After Fee)**  
**For the Period Ending September 30, 2008**

	Inception Date	Net Assets at Fair Market Value		Qtr	Total Nominal Returns After Fees				Since Inception	Realized
		Amount	% of Non-Core		1-Yr	3-Yr	5-Yr	Project IRR <sup>23</sup>		
										Since Inception
Non-Core Continued										
International										
Aetos Capital Asia T.E., L.P.	Feb-03	53,348,219	0.5%	-1.2%	-3.1%	24.0%	19.2%	N/M <sup>43</sup>	25.7%	
Aetos Capital Asia T.E. II, L.P.	Sep-05	305,658,641	2.8%	-9.3%	-8.4%	-22.5%	N/AP	N/M <sup>44</sup>	33.0%	
Aetos Asia Real Estate Securities Opportunity Fund	Apr-07	10,856,030	0.1%	0.0%	-17.5%	N/AP	N/AP	-8.6%	N/AP	
ARA Asia Dragon Fund	Oct-07	76,217,810	0.7%	-1.4%	N/M	N/AP	N/AP	N/M <sup>43</sup>	N/AP	
CBRE Strategic Partners, Europe Fund III	Dec-06	5,882,722	0.1%	-11.7%	N/M	N/AP	N/AP	N/M <sup>40</sup>	N/AP	
CBRE Strategic Partners, UK Fund II, L.P.	May-05	38,506,959	0.4%	-38.0%	-59.5%	N/M	N/AP	N/M <sup>45</sup>	N/AP	
CBRE Strategic Partners UK Fund III, L.P.	Apr-07	6,755,362	0.1%	-55.4%	-129.9%	N/AP	N/AP	N/M <sup>41</sup>	N/AP	
DB Real Estate Global Opportunities 1A, L.P.	Dec-03	4,890,835	0.0% <sup>27</sup>	24.8%	68.9%	N/M	N/AP	N/M <sup>45</sup>	18.9%	
DB Real Estate Global Opportunities 1B, L.P.	Dec-03	44,684,416	0.4%	-2.4%	22.6%	35.4%	N/AP	N/M <sup>44</sup>	12.3%	
Fortress Investment Fund IV	Jul-06	82,945,689	0.8%	-8.8%	-6.3%	N/AP	N/AP	-1.7%	N/AP	
Fortress Residential Investment Deutschland	Aug-05	75,328,955	0.7%	-7.1%	-35.9%	-13.9%	N/AP	-16.3%	N/AP	
GAGFAH Fortress	Oct-06	51,752,842	0.5%	13.3%	-31.5%	N/AP	N/AP	-35.9%	N/AP	
Harbert European Real Estate Fund II, L.P.	Jun-06	15,003,200	0.1%	-10.6%	-1.4%	N/AP	N/AP	N/M <sup>46</sup>	N/AP	
HCB Interests (Hines Brazil)	Aug-05	96,646,857	0.9%	4.1%	13.1%	N/M	N/AP	N/M <sup>40</sup>	N/AP	
Hines CALPERS Brazil Fund II	Apr-07	(30,620,428)	-0.3% <sup>27</sup>	1.6%	-49.7%	N/AP	N/AP	N/M <sup>40</sup>	N/AP	
HCM Holdings (Hines Mexico)	Jan-05	83,227,820	0.8%	0.7%	-14.6%	6.5%	N/AP	N/M <sup>31</sup>	N/AP	
Hines CALPERS Mexico Fund II	Apr-07	6,434,039	0.1%	7.2%	-14.9%	N/AP	N/AP	N/M <sup>40</sup>	N/AP	
Hines China Fund	Jul-06	377,895	0.0% <sup>27</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>45</sup>	N/AP	
Hines European Development Fund	Mar-03	(866,141)	0.0% <sup>27</sup>	N/M	N/M	N/M	N/M	N/M <sup>40</sup>	N/AP	
Hines European Development Fund II	Mar-07	78,225	0.0% <sup>27</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>45</sup>	N/AP	
Hines Residential Sunbelt Spain Fund	Jan-06	(2,182,510)	0.0% <sup>27</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>40</sup>	N/AP	
IL & FS India Realty Fund, LLC	Apr-06	104,947,224	1.0%	-1.2%	-7.6%	N/AP	N/AP	N/M <sup>31</sup>	N/AP	
IL & FS India Realty Fund II, LLC	Jan-08	(3,918,216)	0.0% <sup>27</sup>	N/M	N/AP	N/AP	N/AP	N/M <sup>40</sup>	N/AP	
IXIS AEW European Property Investors, L.P.	Sep-04	81,050,293	0.8%	0.9%	30.8%	46.2%	N/AP	N/M <sup>43</sup>	71.0%	
JER Europe Fund III	Mar-06	27,712,907	0.3%	-22.9%	-30.6%	N/AP	N/AP	N/M <sup>40</sup>	N/AP	

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has not completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>27</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>31</sup> High negative and/or not meaningful returns are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.

<sup>40</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>41</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>43</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>44</sup> Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.

<sup>45</sup> Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>46</sup> After fee return(s) are not meaningful due to large management fee(s) relative to small NAV.

Non-Core Real Estate Portfolio									
Performance Detail by Partnership / Account (After Fee)									
For the Period Ending September 30, 2008									
		Net Assets at Fair Market Value			Total Nominal Returns After Fees				Realized
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Project IRR <sup>23</sup> Since Inception
Non-Core Continued									
International (Continued)									
LaSalle Asia Opportunity Fund III	Sep-07	6,687,464	0.1%	-13.1%	N/M	N/AP	N/AP	N/M <sup>40</sup>	N/AP
LaSalle French Fund II	Dec-05	54,386,966	0.5%	-2.3%	42.5%	-36.8%	N/AP	-36.8%	N/AP
LaSalle Japan Logistics Fund II	Sep-07	4,252,874	0.0%	-2.5%	N/M	N/AP	N/AP	N/M <sup>45</sup>	N/AP
MGPA Asia Fund II	Aug-05	101,723,998	0.9%	-2.1%	40.2%	N/M	N/AP	N/M <sup>47</sup>	135.1%
MGPA Europe Parallel Fund II	Aug-05	78,503,823	0.7%	-10.8%	-6.5%	N/M	N/AP	N/M <sup>48</sup>	14.3%
NIAM Nordic Investment Fund III, L.P.	Sep-04	57,875,073	0.5%	-6.6%	15.9%	58.4%	N/AP	9.6%	68.9%
NIAM Nordic Investment Fund IV	Jan-08	32,311,374	0.3%	-25.6%	N/AP	N/AP	N/AP	N/M <sup>43</sup>	N/AP
Prudential - PLA Residential Fund I	Jul-04	67,960,229	0.6%	2.2%	40.1%	33.2%	N/AP	23.6%	19.6%
Prudential - PLA Retail Fund I	Nov-06	32,355,130	0.3%	-3.0%	10.4%	N/AP	N/AP	N/M <sup>43</sup>	N/AP
RREEF Global Opportunities Fund II	Dec-05	162,587,509	1.5%	-15.0%	-11.5%	-18.1%	N/AP	-18.1%	N/AP
SDL Hospitality Co-Invest Fund	Oct-05	171,363,055	1.6%	-4.3%	18.7%	38.0%	N/AP	38.0%	N/AP <sup>24</sup>
Secured Capital Asia	Jun-06	337,744,953	3.1%	0.0%	6.2%	N/AP	N/AP	N/M <sup>29</sup>	N/AP
Secured Capital Japan	Mar-04	10,058,828	0.1%	0.1%	1.4%	38.1%	N/AP	25.8%	N/AP
Secured Capital Japan II	Sep-05	77,114,411	0.7%	-0.8%	10.6%	N/M	N/AP	N/M <sup>44</sup>	N/AP
Sun Apollo India Real Estate Fund	Jan-07	12,834,395	0.1%	-8.9%	-20.4%	N/AP	N/AP	N/M <sup>40</sup>	N/AP
Xander Cassander Co-Investment	Aug-07	149,573,670	1.4%	-8.9%	-17.1%	N/AP	N/AP	-14.2%	N/AP
Xander JV Fund, I LLC	Sep-07	688,346	0.0%	N/M	N/M	N/AP	N/AP	N/M <sup>29</sup>	N/AP
Opportunistic Funds									
301 Capitol Mall, L.P.	Jun-07	(2,353,910)	0.0%	N/M	N/M	N/AP	N/AP	0.0% <sup>45</sup>	N/AP
400 R Street	Apr-05	15,163,949	0.1%	4.1%	20.0%	13.4%	N/AP	N/M <sup>45</sup>	N/AP
American Value Partner Fund I	Sep-06	8,674,514	0.1%	-27.0%	N/M	N/AP	N/AP	N/M <sup>41</sup>	N/AP
Apollo Real Estate Investment Fund V, L.P.	Sep-05	55,062,260	0.5%	-14.8%	-10.5%	N/M	N/AP	N/M <sup>31</sup>	61.2%
Apollo Real Estate Finance Company	Sep-06	50,057,102	0.5%	4.5%	19.4%	N/AP	N/AP	N/M <sup>31</sup>	N/AP
Capmark Structured Real Estate Partners	Nov-06	47,747,140	0.4%	-8.2%	-42.8%	N/AP	N/AP	-22.0%	N/AP
CIM Fund III, L.P.	May-06	19,371,521	0.2%	-24.9%	N/M	N/AP	N/AP	N/M <sup>40</sup>	N/AP
CMR Commercial Mortgage Fund	Nov-06	44,252,888	0.4%	3.5%	14.9%	N/AP	N/AP	-2.1%	N/AP

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>24</sup> Negative investment management fee and/or negative incentive fee causes after fee returns to be higher than the before fee returns.

<sup>27</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>29</sup> Not meaningful and/or high return(s) are due to the large realized and/or unrealized appreciation compared to the NAV.

<sup>31</sup> High negative and/or not meaningful returns are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.

<sup>40</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>41</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>43</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>44</sup> Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.

<sup>45</sup> Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>46</sup> After fee return(s) are not meaningful due to large management fee(s) relative to small NAV.

<sup>47</sup> Return(s) stated as "N/M" are not meaningful due to large negative net investment income prior to December 2006 relative to weighted average equity.

<sup>48</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV in fourth quarter of 2005.



**Non-Core Real Estate Portfolio**  
**Performance Detail by Partnership / Account (After Fee)**  
**For the Period Ending September 30, 2008**

	Inception Date	Net Assets at Fair Market Value			Total Nominal Returns After Fees				Since Inception	Realized
		Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception		Project IRR <sup>23</sup>
										Since Inception
Non-Core Continued										
Opportunistic Funds (Continued)										
Fillmore East Fund, L.P.	Dec-05	68,578,845	0.6%	3.0%	4.5%	N/M	N/AP	0.0%	44	N/AP
Global Innovation Partners II	Sep-05	450,334,016	4.2%	-8.9%	7.1%	4.2%	N/AP	3.7%		33.3%
Global Innovation Partners III	Jul-08	0	0.0%	N/M	N/AP	N/AP	N/AP	N/M	46	N/AP
Guggenheim Structured Real Estate Fund II	Jan-06	49,857,641	0.5%	-53.6%	-51.8%	N/AP	N/AP	N/M	49	4.2%
Guggenheim Structured Real Estate Fund III	Oct-07	56,280,487	0.5%	1.0%	8.1%	N/AP	N/AP	8.1%		N/AP
Hampshire Partners Fund VI	Dec-03	30,730,719	0.3%	0.0%	15.3%	15.1%	N/AP	18.9%		48.3%
Hines Green Development Fund	Aug-06	(3,145,934)	0.0%	N/M	N/M	N/AP	N/AP	N/M	40	N/AP
Hollywood Park Co-Investors Fund	Oct-05	94,546,386	0.9%	6.0%	4.6%	N/M	N/AP	N/M	40	N/AP
Integral Urban Fund I	Oct-06	25,517,706	0.2%	-6.0%	N/M	N/AP	N/AP	N/M	40	N/AP
JER U.S. Debt Co-Investment Vehicle, L.P.	Dec-07	55,887,489	0.5%	-14.6%	N/M	N/AP	N/AP	N/M	40	N/AP
Kennedy Wilson Property Fund II	Nov-05	46,375,985	0.4%	-0.6%	14.9%	N/M	N/AP	N/M	43	106.8%
Lowe Resort Community Fund, LLC	Oct-06	7,363,515	0.1%	-3.9%	-17.2%	N/AP	N/AP	N/M	45	N/AP
Market Street Capital Partners, LP/ Divco West	Jul-06	27,895,075	0.3%	0.1%	-0.8%	N/AP	N/AP	N/M	34	N/AP
Next Block Medical Fund I, L.P.	Jun-06	49,748,862	0.5%	0.1%	23.5%	N/AP	N/AP	-4.0%		N/AP
Page Mill / Divco West	Jan-03	4,163,025	0.0%	1.2%	-22.6%	N/M	N/M	N/M	45	N/AP
Page Mill Properties II, L.P.	Jul-06	66,976,772	0.6%	-4.1%	-12.9%	N/AP	N/AP	N/M	40	N/AP
Principal Mortgage Value Investors, L.P.	Apr-07	51,857,707	0.5%	-27.4%	-86.4%	N/AP	N/AP	-80.5%	33	N/AP
Prudential PRECO III	Jul-06	72,323,469	0.7%	1.1%	17.3%	N/AP	N/AP	6.0%		N/AP
RLJ Urban Lodging II	May-06	74,423,120	0.7%	1.3%	2.1%	N/AP	N/AP	2.4%		N/AP
RLJ Real Estate Fund III	Jul-08	4,640,423	0.0%	N/M	N/AP	N/AP	N/AP	N/M	45	N/AP
Rockpoint Real Estate Fund II	Sep-05	30,302,330	0.3%	-22.6%	-18.9%	N/M	N/AP	N/M	43	76.6%
Rockpoint Real Estate Fund III	Sep-07	2,301,386	0.0%	-70.5%	N/M	N/AP	N/AP	N/M	41	N/AP
San Diego Smart Growth Fund	Jul-05	12,757,344	0.1%	-2.2%	-32.3%	N/M	N/AP	N/M	50	N/AP
Sares-Regis Group of Northern California	Jul-05	19,647,875	0.2%	2.7%	8.7%	4.9%	N/AP	5.1%		N/AP
Savanna Real Estate Fund I, L.P.	Jan-07	31,695,443	0.3%	5.8%	-1.5%	N/AP	N/AP	N/M	40	N/AP
Starwood Capital Hospitality Fund I	Apr-05	163,907,979	1.5%	-14.5%	-9.4%	N/M	N/AP	N/M	40	N/AP

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>27</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>33</sup> Not meaningful and/or negative return(s) are due to large realized and/or unrealized loss.

<sup>34</sup> Return(s) stated as "N/M" are not meaningful due to negative net assets. This negative NII or NAV may have occurred in a prior quarter.

<sup>40</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>43</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>44</sup> Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.

<sup>45</sup> Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>46</sup> After fee return(s) are not meaningful due to large management fee(s) relative to small NAV.

High negative return(s) are due to large negative net investment income. Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.

<sup>50</sup> Return(s) stated as "NM" are not meaningful due to large management fee(s) relative to small NAV.

Non-Core Real Estate Portfolio Performance Detail by Partnership / Account (After Fee) For the Period Ending September 30, 2008									
		Net Assets at Fair Market Value			Total Nominal Returns After Fees				Realized Project IRR <sup>23</sup>
	Inception Date	Amount	% of Non- Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception
Non-Core Continued									
Opportunistic Funds (Continued)									
Stockbridge Real Estate Fund II	Oct-05	24,043,191	0.2%	-35.9%	-41.9%	N/M	N/AP	N/M <sup>41</sup>	N/AP
Strategic Partners Value Enhancement Fund	Jul-06	42,426,898	0.4%	-1.2%	-7.3%	N/M	N/AP	N/M <sup>31</sup>	76.6%
TPG Hospitality Investments IV	Apr-06	234,120,438	2.2%	0.3%	30.0%	N/AP	N/AP	14.1%	N/AP
Urban America LP II	Jan-07	67,531,506	0.6%	-0.8%	-8.1%	N/AP	N/AP	-40.0%	N/AP
Windsor Realty Fund VII, L.P.	Oct-06	27,017,176	0.3%	0.0%	5.3%	N/AP	N/AP	N/M <sup>40</sup>	N/AP
REITS									
Adelante Sun King I REIT	Mar-07	137,891,600	1.3%	-6.9%	-22.1%	N/AP	N/AP	-22.1%	N/AP
Asian Real Estate Securities Transition Account	May-08	42,664,564	0.4%	-25.9%	N/AP	N/AP	N/AP	-36.8% <sup>51</sup>	N/AP
CITIGROUP International REIT	Jan-07	45,920,021	0.4%	-20.4%	-40.8%	N/AP	N/AP	-24.8%	N/AP
European Investors International REIT	Jan-07	111,941,864	1.0%	-22.1%	-45.4%	N/AP	N/AP	-28.3%	N/AP
Extended Market Index REIT	Jun-02	468,755,783	4.4%	4.4%	-12.8%	5.5%	14.0%	13.3%	N/AP
International Asset Allocation REIT	Mar-06	418,596,824	3.9%	-19.7%	-40.6%	N/AP	N/AP	-6.6%	N/AP
Morgan Stanley International REIT	Jan-07	163,169,296	1.5%	-18.9%	-39.9%	N/AP	N/AP	-21.7%	N/AP
PRESIMA International REIT	Jan-07	116,009,610	1.1%	-20.0%	-45.0%	N/AP	N/AP	-26.8%	N/AP
RREEF International REIT	Jan-07	125,025,876	1.2%	-20.7%	-42.6%	N/AP	N/AP	-24.0%	N/AP
Real Estate Technology									
Global Innovation Partners	Apr-01	185,510,211	1.7%	-0.1%	2.1%	44.8%	38.9%	18.6%	33.0%
Senior Housing									
AEW Senior Housing Company, LLC	Jun-01	107,001,822	1.0%	0.4%	21.3%	50.2%	45.5%	32.6% <sup>36</sup>	34.0%
Fortress Holiday Co-Investment	Feb-07	61,617,510	0.6%	-6.9%	-9.1%	N/AP	N/AP	-7.2%	N/AP
Fortress RIC Coinvestment Fund	Jul-06	15,977,531	0.1%	8.1%	-42.4%	N/AP	N/AP	-16.4%	N/AP
Senior Housing UK Investment II	Jan-08	5,688,903	0.1%	-2.5%	N/M	N/AP	N/AP	N/M <sup>40</sup>	N/AP
SHP Senior Housing Fund, LLC	Jan-03	187,898,514	1.8%	0.5%	-16.6%	22.7%	56.4%	51.7% <sup>36</sup>	N/AP
Total Non-Core	Dec-84	10,734,526,463 <sup>52</sup>	94.6%	-6.9%	-35.7%	-3.6%	7.0%	8.7%	

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS' reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>31</sup> High negative and/or not meaningful returns are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.

<sup>36</sup> Return(s) are high due to realized and/or unrealized appreciation.

<sup>40</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. This negative NII or NAV may have occurred in a prior quarter.

<sup>41</sup> Return(s) stated as "N/M" are not meaningful due to negative net investment income relative to a negative NAV. Negative return(s) are due to large realized and/or unrealized loss. This negative NII or NAV may have occurred in a prior quarter.

<sup>51</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

<sup>52</sup> Excludes sold portfolio activity.

## **V. APPENDIX**

## **CORE PORTFOLIO DESCRIPTION**

## CORE PORTFOLIO

The core advisors/investments have varying investment mandates established by CalPERS and include the following:

### ***Apartment Advisors***

- ♦ ***Windsor Realty Fund III, L.P.*** is a partnership between CalPERS and General Investment & Development Co. (“GID Advisers”) seeking to invest in apartment properties throughout the United States.
- ♦ ***BlackRock Western Multifamily, LLC*** is a limited liability corporation created through an agreement between CalPERS and BlackRock Realty Advisors (formerly known as SSR Realty Advisors) seeking to invest in apartment properties in the United States.

### ***Industrial Advisors***

- ♦ ***CalEast Global Logistics*** is a limited liability corporation created through an agreement between CalPERS and LaSalle Advisors seeking to invest in industrial properties throughout the Eastern United States, Mexico and Canada.
- ♦ ***CalWest Industrial Investors, LLC*** is a limited liability corporation created through an agreement between CalPERS and RoCal, LLC (“RREEF”) seeking to invest in industrial properties throughout the Western United States.

### ***Office Advisors***

- ♦ ***Fifth Street Properties, LLC*** is a limited liability corporation created through an agreement between CalPERS and Commonwealth Partners, LLC (“CWP”) seeking to invest in office properties in the Western United States.
- ♦ ***CWP Managed*** - Commonwealth Partners manages a CalPERS owned asset, Bishop Square, a 928,598 square foot office complex consisting of two high rise office buildings located in Honolulu, HI.
- ♦ ***National Office Partners, L.P. (“NOP”)*** is a limited partnership created through an agreement between CalPERS and Hines National Office Partners, L.P. seeking to invest in office properties primarily in the Eastern United States and selected Western U.S. markets.

## CORE PORTFOLIO

### *Retail Advisors*

- ♦ ***Global Retail Investors, LLC*** was formed in July 2005 as a limited liability corporation created through an operating agreement between CalPERS and First Washington Realty seeking to invest in (non-mall) shopping centers.
- ♦ ***Institutional Mall Investors, LLC*** is a limited liability corporation created through an operating agreement between CalPERS and Miller Capital Advisory seeking to invest in malls.

### *Diversified Core Advisors*

- ♦ ***AFL-CIO Building Investment Trust (AFL-CIO BIT)*** - CalPERS holds a 6.6% position in the open-ended commingled fund investing in core real estate, with Mercantile Safe Deposit and Trust Company as trustee.
- ♦ ***CIM Management Urban REIT*** is a private REIT that will buy core assets in dynamic urban markets in which CIM is active. An initial capital contribution was made on February 17, 2005. CalPERS total allocation will be 25% of the REIT, subject to a minimum allocation of \$200 million and a maximum allocation of \$500 million.

## **NON-CORE PORTFOLIO DESCRIPTION**

## NON-CORE PORTFOLIO

The funded Non-Core Portfolio includes the following:

### ***Agricultural Land***

CalPERS has allocated \$100 million to invest in the development of vineyard land on the West Coast for the fine wine industry. Currently CalPERS has two partnerships with funded investments, which are listed below.

- ◆ Meriwether Farms, LLC
- ◆ Pacific Vineyard Partners, LLC

### ***CURE (California Urban Real Estate) Program***

The CURE program aims to create asset value through the rehabilitation, repositioning and development of real estate projects located primarily in urban neighborhoods of California's major metropolitan areas. Following is a list of the CURE partnerships and the advisors associated with them.

- ◆ **AGI-TMG Housing Partners I, LLC – Avant Housing** – The focus is for-sale entry-level to mid-market priced housing development or rehabilitation projects located in supply-constrained markets with favorable demographics in the nine counties of the San Francisco Bay Area.
- ◆ **Bridge Urban Infill Land Development, LLC – Bridge Infill Development, Inc.** – The focus is to develop, manage and sell or to invest in residential and mixed-use infill project in California, with a preference for including an affordable housing component.
- ◆ **Buchanan Urban Investors II, LLC – Buchanan Street Partners** – The focus is to invest in commercial real estate including multi-family, industrial, office, retail, and self-storage properties within California urban infill markets.
- ◆ **California Smart Growth Fund IV, L.P. – Pacific Coast Capital Partners** - Smart Growth's approach to infill development in urban areas considers the impact of existing infrastructure, traffic volumes, environmental conditions, employment base, and residential housing stock, on local communities.



## NON-CORE PORTFOLIO

- ◆ **California Urban Investment Partners (CUIP) – MacFarlane Partners** - Invests in commercial, residential, and mixed-use real estate transit corridors, either by forming joint ventures with qualified developers or with MacFarlane Partners as the developer.
- ◆ **CalSmart, LLC – RREEF** – Acquires, develops, or redevelops properties in urban infill markets.
- ◆ **Centerline Urban Capital I, LLC – (formerly known as Capri Capital and CharterMac)** - Invests in mezzanine and preferred equity capital, targeting multi-family properties with an affordability component located in urban infill markets with an emphasis on California.
- ◆ **CIM California Urban Real Estate Fund L.P. – CIM Group** – Invests in equity and/ or mezzanine capital for sizable projects including mixed-use, apartments, condos, office, retail, entertainment, and parking in urban downtown and “main street” districts.
- ◆ **CityView America Fund I, LLC – CityView** – Provides capital (equity and debt) to home builders constructing urban for sale single family homes targeted to first-time home buyers. This is a national program, excluding the western United States. The western United States is covered by Pacific CityHome.
- ◆ **City View LA Land Fund I L.P. – CityView** – Acquires and entitles land located in the County of Los Angeles, California to develop and construct for-sale, detached and attached single-family residential housing, multi-family residential housing and mixed-use product, as appropriate. The Fund will target local markets where supply-demand imbalances exist and where there is an underserved market with purchasing power and the demand for entry-level housing.
- ◆ **KAREC CDP, LLC – Kennedy Associates Real Estate Counsel** - Invests in the development and/or rehabilitation and repositioning of urban and suburban assets in all four major property types, plus hotels, with an emphasis on mixed use, transit oriented buildings constructed with a goal of LEED Silver certification or better.
- ◆ **KSC Affordable Housing Investment Fund, LLC** – Provides primarily mezzanine debt to acquire, develop and redevelop multi-family affordable properties.
- ◆ **Legacy Partners Affordable Housing Fund, LLC – Legacy Partners Residential, Inc.** – Invests in urban multi-family projects (with a minimum of 20% affordability component) located in California urban infill markets.

## NON-CORE PORTFOLIO

- ◆ **Pacific CityHome, LLC – CityView** – Provides capital (equity and debt) to home builders constructing urban for sale single family homes targeted to first-time home buyers in California and four other western states.

### *Housing Program*

The housing program investments include for-sale single family residential development, both detached and attached, as well as land development. The Housing Program investments are located in 20 states, with the most significant investments in California, Arizona, Florida and Texas. The following is a list of current partners and active partnerships:

- ◆ **Hearthstone Advisors** – Primary focus has been on fee builder and OBS transactions in housing and land. National presence. Small entity investments.
  - ◆ Hearthstone Housing Partners II, L.P. (National)
  - ◆ Hearthstone Housing Partners III, L.P. (National)
  - ◆ Hearthstone MSIII Value Added, LLC (National)
  - ◆ Hearthstone Path-of-Growth Fund (National)
- ◆ **IHP Capital Partners** – Primary focus has been joint ventures and OBS in housing and land. National presence. Limited entity investments.
  - ◆ IHP Investment Fund I, L.P. (Single Family)
  - ◆ IHP Investment Fund II, L.P. (Acquisition and Development)
  - ◆ IHP Investment Fund III, L.P. (National)
  - ◆ IHP Investment Fund V, L.P. (National)
  - ◆ PICAL Housing Associates, L.P. (Single Family)
  - ◆ PICAL Housing Partners II, L.P. (Acquisition and Development)
- ◆ **M/W Housing Partners** – Investments include joint ventures utilizing equity and secured real estate loans, small entity investments, and land development.
  - ◆ MW Housing Partners III, L.P. (National)

## NON-CORE PORTFOLIO

- ♦ **Newland Communities** – Focus is large, master planned community development nationally through 7 regional operations.
  - ♦ Cal Land Asset Partners, L.P. (Acquisition and Development)
  - ♦ Newland National Partners, L.P. (National)
  - ♦ Newland National Partners II, L.P. (National)
  - ♦ Newland National Partners III, L.P. (National)
  - ♦ Newland National Partners IV, L.P. (National)
- ♦ **Resmark Equity Partners** – Focus is smaller transactions through joint ventures and subordinated shared appreciation loans. The ORA Multifamily Investments fund also develops and repositions single family attached product.
  - ♦ ORA Multifamily Investments I, LLC (National)
  - ♦ ORA Residential Investments I, L.P. (National)
- ♦ **Shea Homes** – CalPERS is the sole owner of the Shea Capital I and Shea Mountain House investments. Shea Capital I develops Active Adult communities in California and Arizona. Shea Mountain House is a single master planned community in northern California. Shea Homes is currently the fee based development manager for these projects and LePlastrier Development Consulting is the current asset manager.
  - ♦ Shea Capital I, LLC (National)
  - ♦ Shea Mountain House, LLC (National)
- ♦ **Wells Fargo** – The focus is providing construction debt to California homebuilders. Olson Urban Housing is an entity investment in a prominent California infill builder.
  - ♦ WFHAI Housing Fund, L.P. (National)
  - ♦ Olson Urban Housing (National)

### **International**

- ♦ **Aetos Capital Asia T.E., L.P.** – The focus of this commingled fund is to achieve superior performance returns through real estate, distressed debt, and real estate related investment activities principally in the Asian market, with an emphasis on Japanese investments. The other limited partners include California State Teachers' Retirement System (CalSTRS), AT&T, John Deere Pension Trust, and the United Nations.

## NON-CORE PORTFOLIO

- ◆ ***Aetos Capital Asia T.E. II, L.P.*** – The focus of this commingled fund is to achieve superior performance returns through real estate, distressed debt, and real estate related investment activities principally in the Asian market, with a main emphasis on Japanese investments. The other limited partners include California State Teachers' Retirement System (CalSTRS), AT&T, United Nations, IBM Retirement Funds, Franklin Templeton, The Rockefeller Foundation, Oregon Public Employees' Retirement Fund, New York Common Retirement Fund, and Dupont.
- ◆ ***Aetos Asia Real Estate Securities Opportunity Fund*** – Aetos Asia Real Estate Securities Opportunity Fund was originally a pan-Asian public securities fund with potential for a 30% non-public securities component. CalPERS entered this partnership in May of 2007 and committed \$200 million to the fund. The fund manager resigned in May of 2008 however and what is left is the non-public portion of the fund (which is now managed by the private real estate manager Aetos). The public portion of the fund was either liquidated or transferred to the Asian Real Estate Securities Transition account.
- ◆ ***ARA Asia Dragon Fund*** – CalPERS entered this fund in September 2007, committing \$500 million. This fund will invest in strategic and opportunistic investments in Asia primarily focusing on Singapore, Malaysia, Hong Kong and China. CalPERS' commitment will be approximately 33% of the \$1.5 billion targeted commingled fund size.
- ◆ ***CBRE Strategic Partners, Europe Fund III*** – Formed to pursue value added investments in office, retail, industrial, and residential properties in Western Europe. The Fund has as its prime investment objective an internal rate of return of 15%-16% net to investors.
- ◆ ***CBRE Strategic Partners, UK Fund II*** – CalPERS entered into this partnership on July 15, 2005 with a commitment of £50 million. The fund specializes in value added properties in the United Kingdom.
- ◆ ***CBRE Strategic Partners, UK Fund III*** – CBRE Strategic Partners UK Fund III is a fund specialized in value add properties in the UK. This fund is the second in a series of value added real estate investment funds focused on the acquisition, repositioning, and disposition of office, industrial, and retail properties located throughout the UK, excluding Northern Ireland. CalPERS entered this partnership in February of 2007 and committed approximately \$100 million to the fund.

## NON-CORE PORTFOLIO

- ◆ ***DB Real Estate Global Opportunities Fund 1A*** – This fund acquired a portfolio of diverse international real estate and real estate-related assets (concentrated in Europe, Asia Pacific, and the Americas) from Deutsche Bank AG for income and capital appreciation. The other investors in this fund are Colorado Public Employees' Retirement (COPERA), California State Teachers' Retirement System (CalSTRS), and State of North Carolina Funds.
- ◆ ***DB Real Estate Global Opportunities Fund 1B*** – The focus of this commingled fund is to buy distressed and under-performing international properties (concentrated in Europe, Asia Pacific, and the Americas) for re-leasing and repositioning. The other investors in this fund are Colorado Public Employees' Retirement (COPERA), California State Teachers' Retirement System (CalSTRS), and State of North Carolina Funds.
- ◆ ***Fortress Investment Fund IV*** – This is a private equity real estate fund that CalPERS committed \$100 million to, which is 3.3% of all commitments to the fund. The fund will invest in various yield oriented and repositioning investments.
- ◆ ***Fortress Residential Investment Deutschland L.P.*** – CalPERS entered into this partnership on March 24, 2005. The current commitment amount is \$153 million. This fund specializes in German residential real estate investments.
- ◆ ***GAGFAH Fortress*** – This is an investment in the public shares of GAGFAH SA, a German residential company managed by Fortress. This investment is the transfer of a commitment made in March of 2004 to the private real estate equity fund Fortress Residential Investment Deutschland. The private fund went public on the German exchange on October 19, 2006.
- ◆ ***Harbert European Real Estate Fund II, L.P.*** – The fund's objective is to achieve attractive risk-adjusted absolute returns by focusing upon four primary transaction types within certain key markets in Western and Central Europe. The four primary transaction types are (i) renovation, refurbishment and/or re-positioning of existing assets; (ii) out of favor sectors or products; (iii) corporate dispositions of non-core real estate assets; and (iv) development opportunities.

## NON-CORE PORTFOLIO

- ◆ ***HCB Interests (Hines Brazil)*** – This partnership was formed to invest in the development and renovation of industrial, office, retail and for-sale residential properties in Brazil with the primary focus being in the cities of Sao Paulo and Rio de Janeiro. CalPERS entered into this partnership on August 19, 2005 and has committed \$100 million to the partnership.
- ◆ ***HCB Interests II (Hines Brazil II)*** – This partnership was established in March 2007 to create a diversified investment portfolio by investing in the development and renovation of industrial, office, retail and for-sale residential properties in Brazil, with the primary focus being in the cities of Sao Paulo and Rio de Janeiro. CalPERS has committed approximately \$475 million to this fund.
- ◆ ***HCC Interests (Hines China)*** – CalPERS entered into this partnership on May 26, 2006. The Hines CalPERS China Fund, a privately owned international real estate firm, will focus primarily on the development, redevelopment and acquisition of residential, office, retail, mixed-use, and industrial projects in China.
- ◆ ***HCM Holdings (Hines Mexico)*** – The partnership's purpose is to directly or indirectly acquire, own, manage, lease, finance, construct, develop and ultimately sell real estate projects in Mexico. CalPERS entered into this partnership on January 6, 2005 and holds a 94.5% stake and has committed \$94.5 million to the partnership.
- ◆ ***HCM Holdings II (Hines Mexico II)*** – Hines CalPERS Mexico Fund II was established in March 2007 to create a diversified investment portfolio by investing in development of for-sale housing, retail and industrial projects throughout Mexico. CalPERS has committed approximately \$100 million to this fund.
- ◆ ***Hines European Development Fund I, L.P.*** – CalPERS entered into this partnership on March 24, 2003. The other limited partners include Teachers Insurance and Annuity Association of America (TIAA) and Oxford Properties Group, a wholly owned subsidiary of Ontario Municipal Employees Retirement Board (OMERS). The Fund will invest in development and re-development of primarily office projects in five countries within Western Europe (France, Germany, Italy, Spain, and the United Kingdom). The Fund employs 100% leverage which results in a targeted return, net of all fees, of an infinite IRR. This line of credit is collateralized by the unpaid capital commitments of the Limited Partners. To date, no partner capital has been called. As a result, investment performance is not presented. CalPERS has committed \$75 million to this partnership.

## NON-CORE PORTFOLIO

- ◆ ***Hines European Development Fund II, L.P.*** – This commingled fund will invest in development and redevelopment of efficient office properties in Western Europe (France, Germany, Italy, Spain and United Kingdom). CalPERS has committed \$150 million which approximates a 25% stake in the partnership. This is a follow-on investment with the Hines European Development Fund I.
- ◆ ***Hines Residential Sunbelt Spain Fund, L.P.*** – The partnership has a residential strategy whereby it will invest in unentitled and entitled land. The investment strategy is to sell residential lots for single family housing in the Coast del Sol Region of Spain. The partnership's strategy also includes joint venturing with local home builders to build for-sale housing.
- ◆ ***IL & FS India Realty Fund, LLC*** – CalPERS committed \$100 million to this Fund, making it CalPERS' first real estate investment in India. The Fund was formed in April 2006. The Fund will primarily invest in office, retail, for-sale residential and hospitality sectors in Bangalore, Mumbai, Delhi, Hyderabad, Madras and other major metropolitan cities.
- ◆ ***IL & FS India Realty Fund II, LLC*** – This is CalPERS' second investment with IL&FS, committing \$200 million to this fund. In Fund II, IL&FS will continue their original investment strategy by investing in office, residential, retail, and mixed-use sectors.
- ◆ ***IXIS AEW European Property Investors, L.P.*** – The partnership was formed for the purpose of acquiring, improving, leasing, maintaining, owning, operating and managing real estate assets in Europe. CalPERS entered into this partnership on September 8, 2004.
- ◆ ***JER Europe Fund III, L.P.*** – The fund is managed by J. E. Roberts Companies and was formed in March 2006. The fund will invest in European real estate in markets and sectors with limited competition and minimize execution risk through partnerships with high quality local developers. CalPERS' capital commitment is \$60 million, with an approximate 20% share of this commingled fund.
- ◆ ***LaSalle Asia Opportunity Fund III*** – This fund invests in the development, redevelopment, and acquisition of residential, office, retail, mixed-use, and industrial projects. CalPERS entered this fund in September 2007 and has committed \$200 million to the partnership. CalPERS' commitment is approximately 6.6% of the commingled fund.

## NON-CORE PORTFOLIO

- ◆ ***LaSalle French Fund II*** – CalPERS entered into this partnership on December 23, 2005, and committed €50 million. The Fund will primarily invest in office, logistics, light industrial, retail and other commercial properties throughout France.
- ◆ ***LaSalle Japan Logistics Fund II*** – CalPERS entered this fund in September 2007, committing \$50 million. This fund will invest in prime assets within Japan’s existing distribution channels where capital appreciation and rental growth are expected. CalPERS’ commitment will be approximately 6.25% of the fund.
- ◆ ***MGPA Asia Fund II, L.P.*** – CalPERS entered into this partnership on July 13, 2005. The other limited partners include 25 investors from the Netherlands, Middle East, Australia, Canada, United States, Switzerland and Austria. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of real estate located in Asia.
- ◆ ***MGPA Europe Fund II, L.P.*** – The focus of this commingled fund is to acquire distressed and under-performing office, industrial and retail properties in the European Union, Switzerland and Norway, for re-leasing and repositioning. The other investors in this fund include 10 investors from Canada, the United States, Australia and Switzerland. This is a parallel fund with Macquarie Global Property Advisors Asia Fund II. Macquarie Global Property Advisors is the fund sponsor and general partner. CalPERS has committed \$100 million to this partnership.
- ◆ ***NIAM Nordic Investment Fund III, L.P.*** – CalPERS entered into this partnership on September 6, 2004. Other large investors include California State Teachers’ Retirement System (CalSTRS) and General Electric Pension Trust, among others.
- ◆ ***NIAM Nordic Investment Fund IV, L.P.*** – CalPERS committed \$134 million to this Nordic private equity real estate commingled fund. This investment was closed on 11/29/07 and will make real estate investments in the Nordic region and Baltic countries. This commitment follows CalPERS’ ~\$83 million investment in NIAM Fund III. The targeted total fund size is approximately \$1 billion. CalPERS’ approximate share of the fund is projected to be 13%.
- ◆ ***PLA Residential Fund I, LLC*** – CalPERS entered into this partnership on July 7, 2004. This fund is structured to pursue a variety of real estate investments throughout major development corridors in Mexico’s metropolitan areas.



## NON-CORE PORTFOLIO

- ◆ ***PLA Retail Fund I, LLC*** – This commingled fund is managed by Prudential Real Estate. The fund was formed in June 2006 to invest in retail real estate investments in Mexico. CalPERS' capital commitment is \$75 million with an approximate 12% share of the fund.
- ◆ ***RREEF Global Opportunities Fund II*** – The focus of this commingled fund is to buy distressed, under-performing and development properties (concentrated in Europe, Asia Pacific, and the Americas) for re-leasing and repositioning. This is a follow-on investment to DB Real Estate Global Opportunities Fund 1B.
- ◆ ***SDL Hospitality Co-Invest Fund, L.P.*** – The fund, managed by Starwood Capital, was formed on October 3, 2005. It is a co-investment fund invested in a fixed subset of assets relating to the Starwood Capital Hospitality Fund I, of which CalPERS is also an investor. CalPERS' capital commitment is \$110 million, a 20% share of this commingled fund.
- ◆ ***Secured Capital Japan Real Estate Partners Asia, L.P.*** – CalPERS entered into this partnership on June 5, 2006. The other limited partners include OPSEU Pension Trust, Pacific Life Insurance Company, John Deere Pension Trust, Nestle in the USA Pension Trust, Jewish Federation of Metropolitan Chicago, and Union Pacific Master Retirement Trust. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of commercial and residential real estate located in Japan and China.
- ◆ ***Secured Capital Japan Real Estate Partners I, L.P.*** – CalPERS entered into this partnership on February 23, 2004. The other limited partners include the John Deere Pension Trust, Nestle in the USA Pension Trust, and the Jewish Federation of Metropolitan Chicago. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of commercial and residential real estate located in Japan.
- ◆ ***Secured Capital Japan Real Estate Partners II, L.P.*** – CalPERS entered into this partnership on April 12, 2005. The other limited partners include the John Deere Pension Trust, Nestle in the USA Pension Trust, and the Jewish Federation of Metropolitan Chicago. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of commercial and residential real estate located in Japan.
- ◆ ***Sun Apollo India Real Estate Fund, LLC*** – CalPERS entered into this partnership in December 2006. The Fund strategy is to invest in office, retail, IT parks, hotels and residential buildings, in tier 1 and tier 2 cities within India. CalPERS' capital commitment is \$50 million, which represents a 7.9% share of this commingled fund.

## NON-CORE PORTFOLIO

- ♦ ***Xander Cassander Co-Investment*** – This fund invests in real estate located in India. The Fund will take advantage of its planning and development expertise in this region. CalPERS entered this commitment in September 2007, committing \$193 million or 85% of the commingled fund, which owns 49% of the property owning entity.
- ♦ ***Xander JV Fund I*** – This fund will invest in real estate in India. CalPERS entered this fund in September 2007, committing \$25 million. CalPERS' commitment will be approximately 5% of the \$500 million targeted commingled fund.

### ***Opportunistic Funds***

- ♦ ***301 Capital Mall*** – CIM Group 301 Capitol Mall, L.P. was established to acquire and develop the former Capitol Towers site. CalPERS committed \$165 million to this fund.
- ♦ ***400 R Street*** – This investment is a 210,000 square foot, five-story Class A office building acquired by CalPERS as part of the R Street Residential assemblage. It is being held as a separate asset in the Real Estate portfolio.
- ♦ ***American Value Partners Fund I, L.P.*** – The fund was established to create a diversified, multi-manager investment portfolio by investing in discretionary real estate funds and non-discretionary joint venture real estate platforms. The underlying investments will be sponsored by small to mid-size real estate investment companies that focus on value-added and opportunistic investments located within the United States. CalPERS committed \$100 million to this fund.
- ♦ ***Apollo Real Estate Investment Fund V, L.P.*** – The investment strategy is based on executing on the arbitrage between the high demand and liquidity for stabilized, core real estate assets and the relatively low demand and liquidity for assets that require complex structuring or value-added expertise to turn them around, primarily in the United States. The Fund had a final closing on March 31, 2006 with \$700 million in total commitments. CalPERS committed \$85 million, an approximate 12% share, to this commingled fund.

## NON-CORE PORTFOLIO

- ◆ ***Apollo Real Estate Finance Corporation (“AREFIN”)*** – This fund was established to continue and expand existing lending and debt investment activities of Apollo Real Estate Advisors, L.P. and its real estate affiliates. AREFIN will be a real estate finance company that intends to originate loans and invest in debt instruments backed by real estate and intends to qualify for taxation as a real estate investment trust. CalPERS committed \$100 million to this investment.
- ◆ ***Capmark Structured Real Estate Partners*** – This fund was established to invest in U.S. debt related real estate investments, including mortgage loans and securities, opportunistic loans (mezzanine loans, preferred equity and bridge loans), and high yield commercial mortgage backed securities. CalPERS committed \$100 million to this fund.
- ◆ ***CIM Fund III, L.P.*** – CalPERS has allocated \$700 million to this fund managed by the CIM Group. The fund will be focused on development and redevelopment projects in urban and infill areas.
- ◆ ***CMR Commercial Mortgage Fund*** – The California Mortgage and Realty (CMR) fund is a separate account that originates short to intermediate term, fixed rate, hard money commercial mortgages. The fund is in the liquidation stage since CalPERS has declined to commit more capital. CMR is a minority owned firm based in San Francisco. CalPERS committed \$50 million to this fund.
- ◆ ***Fillmore East Fund, L.P.*** – This fund was formed to invest in mezzanine debt investments in commercial real estate. The fund closed on December 2, 2006 with a total fund size of \$372 million. CalPERS owns approximately 20% of the fund with an investment of \$75 million.
- ◆ ***Global Innovation Partners II*** – CalPERS has committed \$500 million to this commingled fund. The fund seeks to blend the disciplines of private equity and real estate by making significant investments in real estate intensive and asset backed businesses. California State Teachers’ Retirement System (CalSTRS) is also an investor in the fund.
- ◆ ***Global Innovation Partners III*** – CalPERS committed approximately \$500 million to this commingled opportunistic fund. The fund seeks to blend the disciplines of private equity and real estate by making significant investments in real estate intensive and asset backed businesses. CalPERS’ owns approximately 27.7% of this investment fund.

## NON-CORE PORTFOLIO

- ◆ ***Guggenheim Structured Real Estate Fund II*** – This partnership was formed to invest in structured product mezzanine debt investment in commercial real estate assets mainly within the United States. This fund is a continuation of Guggenheim Structured Real Estate Fund I. CalPERS entered into this partnership on January 26, 2006. The total fund size is \$768 million. CalPERS owns approximately 13% of the fund with an investment of \$100 million.
- ◆ ***Guggenheim Structured Real Estate Fund III*** – Guggenheim Structured Real Estate Fund III was formed to invest in structured debt products in commercial real estate assets mainly in the U.S. This fund utilizes the same strategy and is a continuation of Guggenheim Structured Debt Fund I and II. CalPERS entered into this partnership on November 1, 2007. The total size of the fund is \$1.25 billion. CalPERS' own approximately 8% of the fund with a commitment of \$100 million.
- ◆ ***Hampshire Partners Fund VI, L.P.*** – CalPERS entered into this partnership on December 15, 2003. The other limited partners include Northwestern Mutual Life Insurance Co. and Hope College. The fund has a \$50 million subscription credit facility from Bank of America. CalPERS has committed \$50 million to this fund.
- ◆ ***HC Green Development Fund, L.P.*** – The fund is a \$123 million equity joint venture between CalPERS and Hines developing U.S. domestic office buildings according to LEED (Leadership in Energy and Environmental Design) certification. The Fund will develop projects using sustainable materials, then manage and operate the assets in an environmentally friendly manner. CalPERS committed \$100 million to this fund.
- ◆ ***Hollywood Park Co-Investors Fund*** – This is a real estate fund comprised of an investment in the Hollywood Park Race Track in Inglewood, CA. This is a redevelopment of a 238 acre race track to mixed-use – including residential, retail and hotel. The fund closed in September 2005 and CalPERS owns 50% of the fund comprising \$200 million of equity.
- ◆ ***Integral Urban Fund I, L.P.*** – This is a limited partnership that has been formed for the purpose of investing in residential, retail and mixed-use real estate development projects, primarily in urban areas in the Southeastern United States. CalPERS committed \$50 million to this fund.
- ◆ ***JER U.S. Debt Co-Investment Vehicle, L.P.*** – This partnership was formed to make investments in certain debt securities and loans, secured directly or indirectly, by real estate. CalPERS entered into this partnership on December 11, 2007.

## NON-CORE PORTFOLIO

- ◆ ***Kennedy Wilson Property Fund II*** – The fund is a \$200 million value-added U.S. office and industrial property fund sponsored by Kennedy Wilson who has committed to co-invest 5% or up to \$10 million. This fund intends to invest in sunbelt "growth" markets in California, Arizona, Florida and Georgia. The fund has a maximum portfolio leverage of 65% which will allow it to purchase assets totaling \$570 million. CalPERS entered into this partnership on November 1, 2005 with a commitment of \$50 million.
- ◆ ***Lowe Resort Community Fund, LLC*** – The fund was formed to invest in the development, acquisition and redevelopment of high quality residential resort communities in selected resort markets in the United States. Projects pursued by the Fund may include for-sale residential lots, attached or detached resort units (including condominiums, condominium hotels and interval resorts), golf clubs and other resort amenities.
- ◆ ***Market Street Capital Partners, L.P.*** – The fund is focused on achieving current income and capital appreciation primarily through acquiring, redeveloping or developing office and R&D properties serving the high-tech sector as well as other commercial property types throughout the United States.
- ◆ ***Next Block Medical Fund I, L.P.*** – The fund, formed in June 2006, is managed by Valencia Capital Management. The fund will invest in value added real estate comprised of office, retail, residential, and mixed-use properties located in close proximity to viable medical centers in major U.S. metropolitan areas. CalPERS' capital commitment is \$100 million with a 5% co-investment by the general partner.
- ◆ ***Page Mill / Divco West Properties, L.P.*** – CalPERS entered into this partnership on September 20, 2002. The other limited partners include California State Teachers' Retirement System (CalSTRS) and Oregon Public Employees' Retirement Fund. This partnership invests in commercial properties in Northern California and other technology dominant markets. Funding for the start-up and organization, operating, and purchasing activity has been provided by the Partnership's line of credit ("Subscription Line"). This Subscription Line is collateralized by the unpaid capital commitments of the Limited Partners. CalPERS has committed \$75 million to this partnership.
- ◆ ***Page Mill Properties II, L.P.*** – The partnership makes long term investments in value enhanced core, challenged core, and development assets within 11 targeted technology driven markets across the United States. The Fund's goal is to target Core-Plus investments to create value through focus on repositioning, re-development or conversion along with actual development of real estate assets.

## NON-CORE PORTFOLIO

- ◆ ***Principal Mortgage Value Investors, L.P.*** – The Principal Mortgage Value Investors, L.P. was established to invest in debt related real estate investments including mortgage loans, bridge loans, mezzanine loans, B-notes, and other debt products related to commercial real estate primarily within the United States.
- ◆ ***PRECO III*** – The fund is managed by Prudential Real Estate and was formed in June 2006. The fund invests in real estate operating companies located primarily in the United States and Europe. CalPERS' capital commitment is \$75 million, with an approximate 12% share of this commingled fund.
- ◆ ***RLJ Urban Lodging II*** – CalPERS entered into this commingled fund in May of 2006. CalPERS presently has a 17% share of this fund. This fund is expected to focus on acquiring, owning, holding for investment and disposing of upscale, focused or limited service hotels and full service hotels serving urban markets in the United States, Canada and Puerto Rico. CalPERS committed \$100 million to this fund.
- ◆ ***RLJ Urban Lodging III*** – CalPERS entered into this commingled fund on July 12 of 2007. CalPERS presently has a 16.79% share of this fund. This fund is expected to focus on acquiring, owning, holding for investment and disposing of upscale, focused or limited service hotels and full service hotels serving urban markets in the United States, Canada and Puerto Rico. CalPERS committed \$200 million to this fund.
- ◆ ***Rockpoint Real Estate Fund II, L.P.*** – The focus of this commingled fund is a mix of primarily domestic investments in moderately distressed real estate assets in Eastern and Western U.S. and foreign investments in selective European and Asian markets.
- ◆ ***Rockpoint Real Estate Fund III, L.P.*** – This fund completed its initial closing of limited partner capital commitments on July 19, 2008 concurrent with the termination of the investment period of the Rockpoint Real Estate Investment Fund II (see above). The total CalPERS commitment is \$250 million and the CalPERS share is 13.6%.
- ◆ ***San Diego Smart Growth Fund*** – CalPERS entered into the fund as a 66.7% shareholder on April 13, 2005 with an equity commitment of \$60 million. The Fund is a \$90 million commingled fund with two additional institutional investors as well as a co-investment by Phoenix Realty Group, the manager of the fund. The fund is structured to provide equity and mezzanine financing for the creation of new infill residential properties (affordable housing), retail, and office investments in the San Diego metropolitan area.

## NON-CORE PORTFOLIO

- ◆ **Sares-Regis Group of Northern California** – A partnership between CalPERS and Sares Regis to acquire properties in and around downtown Sacramento, with a focus on the R St. corridor. This also includes the R Street Residential Project which is located on the north side of R Street between 6th & 7th Streets in downtown Sacramento, California and consists of 36 single family detached homes.
- ◆ **Savanna Real Estate Fund I, L.P.** – This partnership has been established to pursue a strategy of investing in opportunistic and value-added opportunities in real estate assets primarily in the Northeast corridor of the United States. The fund is seeking total capital commitments between \$350 - \$400 million. CalPERS' commitment is \$75 million.
- ◆ **Starwood Capital Hospitality Fund I** – This fund was formed in April 2005. The fund will invest, either through debt or equity, in hotel-related assets with particular focus on redevelopment, repositioning, and reflagging of resorts, full-service and extended stay hotels on a global basis. CalPERS committed \$200 million, an approximate 22% share, to this commingled fund.
- ◆ **Stockbridge Real Estate Fund II** – This is a fund focusing on value added investments in the United States. The fund will concentrate on complex ownership structures and investments in mixed use, entertainment or life science, and housing. The fund closed in September 2005 and CalPERS owns 7.7% of the fund.
- ◆ **Strategic Partners Value Enhancement Fund** – This fund focuses on joint ventures with local real estate operators to acquire properties that can be repositioned. The fund closed on June 30, 2005. CalPERS owns 59.6% of the fund with an investment of \$50 million.
- ◆ **TPG Hospitality Investments IV** – CalPERS entered into this separate account investment in May of 2006. CalPERS presently has a 97.5% interest in this investment. This investment is expected to focus on hospitality and hospitality related investments which could benefit from a combination of renovation, rebranding, operational restructuring and such other variables adding value to the investments serving markets in the United States. CalPERS has committed \$200 million to this investment.
- ◆ **Urban America, L.P. II** – The focus of the fund is to invest across property types and life cycles in ethnically diverse urban centers nationwide. CalPERS entered into this \$400 million commingled fund with a commitment of \$100 million.

## NON-CORE PORTFOLIO

- ♦ ***Windsor Realty Fund VII, L.P.*** – The fund was established to pursue a value added strategy of acquiring, repositioning, and selectively developing flex industrial properties throughout the United States. CalPERS committed \$50 million to this fund.

### ***Real Estate Technology Program***

This investment is in real estate or real estate related entities with a focus on technology.

- ♦ ***Global Innovation Partners*** is a joint venture between CalPERS and CB Richard Ellis Investors; although this program is fully allocated to Real Estate, it is a joint management effort between the Real Estate and Alternative Investment Management units.



## NON-CORE PORTFOLIO

### ***Senior Housing Program***

The Senior Housing program includes three types of housing that provide varying levels of care and services for seniors. The housing types are independent living (congregate care), assisted living, and continuing care retirement communities. Currently CalPERS has four partners with funded investments, which are listed below.

- ◆ AEW Senior Housing Co., LLC
- ◆ Fortress Holiday Co-Investment
- ◆ Fortress RIC Co-Investment Fund, L.P.
- ◆ Senior Housing UK Investment II
- ◆ SHP Senior Housing Fund, LLC

### ***Other***

This category encompasses all non-core investments not mentioned above.

- ◆ ***PREES – Adelante Sun King I*** – is a partnership between Adelante Capital Management and CalPERS to invest in domestic public real estate securities. This is a 130/30 long short strategy. The partnership was closed with a \$200 million commitment on March 7, 2007 and funded on March 20, 2007.
- ◆ ***PREES – Asian Real Estate Securities Transition Account*** – is managed internally as a result of the resignation of Aetos as manager. The account was transitioned on May 15, 2008.
- ◆ ***PREES – CITIGROUP International*** – is a managed public securities account benchmarked to the FTSE EPRA/NAREIT Global Ex-US index. This managed account is part of the Global Ex-US active public securities program pursuant to the RFP of March 16, 2006. The Citigroup account was funded with \$75 million on January 2, 2007.
- ◆ ***PREES – European Investors International*** – is a managed public securities account benchmarked to the FTSE EPRA/NAREIT Global Ex-US index. This managed account is part of the Global Ex-US active public securities program pursuant to the RFP of March 16, 2006. The E.I.I. Realty Securities, Inc. account was funded with \$200 million on January 2, 2007.

## NON-CORE PORTFOLIO

- ♦ ***PREES – Extended Market Index*** – is internally managed by CalPERS staff and is allocated among nine property type sectors, including apartment, industrial, office, retail, manufactured housing, outlets, hotels, diversified, and storage. It is benchmarked to the Wilshire Real Estate Securities Index. CalPERS implemented its Extended Market Real Estate Equity Securities Portfolio in June 2002.
- ♦ ***PREES – International Asset Allocation*** – is an internally managed passive portfolio that replicates the FTSE EPRA/NAREIT Global Ex-US index. Its launch was approved by the board on February 14, 2006.
- ♦ ***PREES – Morgan Stanley International*** – is a managed public securities account benchmarked to the FTSE EPRA/NAREIT Global Ex-US index. This managed account is part of the Global Ex-US active public securities program pursuant to the RFP of March 16, 2006. The Morgan Stanley account was funded with \$250 million on January 2, 2007.
- ♦ ***PREES – PRESIMA International Inc.*** – is a managed public securities account benchmarked to the FTSE EPRA/NAREIT Global Ex-US index. This managed account is part of the Global Ex-US active public securities program pursuant to the RFP of March 16, 2006. The PRESIMA account was funded with \$200 million on January 2, 2007.
- ♦ ***PREES – RREEF International*** – is a managed public securities account benchmarked to the FTSE EPRA/NAREIT Global Ex-US index. This managed account is part of the Global Ex-US active public securities program pursuant to the RFP of March 16, 2006. The RREEF account was funded with \$200 million on January 2, 2007.

## **PERFORMANCE MEASUREMENT GLOSSARY**

## GLOSSARY

**Annualized** – When returns for a period other than one year are put on an annual basis. For example, an individual quarter return would be annualized as follows:

$$[(1 + \text{Quarter Return})^4] - 1 = \text{Annualized Return}$$

**Appreciation Return** – Expressed as a percentage, the change in market value over the period of analysis. The appreciation return is computed as follows:

$$\left[ \frac{\text{Realized} + \text{Unrealized Gain or Loss}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

For assets which continue to be held, the appreciation is unrealized. When assets are sold, the appreciation is realized.

**Capitalization Rate** – Any rate used to convert income into value. Value conversion formula is as follows:

$$\text{Net Operating Income} / \text{Capitalization Rate} = \text{Real Estate Value}$$

**Compounding** – Returns are geometrically compounded on a quarterly basis. For example, the annual return for four quarters would be:

$$(1 + Q1)(1 + Q2)(1 + Q3)(1 + Q4) = (1 + \text{Annual Return})$$

**Credit Accommodation** – The term generally refers to a guaranty executed by CalPERS whereby CalPERS agrees to pay the debt obligation of an entity, in the event the entity fails to pay the debt obligation. The entity will usually be a limited partnership or limited liability company, and will be majority-owned by CalPERS. The debt obligation that CalPERS guarantees will be evidenced by an extension of credit (e.g., loan, line of credit, or other form of credit facility) by a financial institution to the entity. The benefit provided to CalPERS is that the guaranty will tend to lower the borrowing cost for the entity and should, in turn, enhance the overall return to the real estate investment. Guarantees become a contingent liability on the CalPERS' overall balance sheet and should be used only when they provide economic benefit. Credit accommodation differs from credit enhancement in that a credit accommodation is not rated and does not use CalPERS' Credit Enhancement Program (CEP) rating (either implied or explicitly). In addition, Credit Accommodation is made for an entity in which CalPERS has an existing, or proposed, ownership interest. Credit enhancement is the use of CalPERS' balance sheet, through the program rating, in which CalPERS has no initial ownership interest and where CalPERS receives explicit consideration for the enhancement.

## GLOSSARY

**Discount Rate** – A yield rate used to convert future payments or receipts into present value.

**Internal Rate of Return (IRR)** – Dollar weighted rate of return that shows profitability as a percentage, showing the return on each dollar invested. IRR equates the present value of a partnership's estimated cash flows (CF) with the present value of the partnership's costs. Before fees (BF) IRR is calculated before all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. After fees (AF) IRR is calculated after all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. Please note, IRR for CalPERS reporting purposes is calculated for sold/realized projects only.

IRR is the quarterly discount rate that makes the following relationship hold:

$$\text{Present Value (inflows)} = \text{Present Value (investment costs)}$$

IRR is computed as follows:

$$CF_0 + CF_1 / (1+IRR) + CF_2 / (1+IRR)^2 + CF_3 / (1+IRR)^3 \dots CF_n / (1+IRR)^n = 0$$

**Investment Fees** – Generally include acquisition, asset management and disposition fees paid to third party firms. Acquisition and disposition fees are calculated on a per transaction basis and range from 0 to .85 percent and 0 to .60 percent, respectively, on a graduated scale. Asset management fees are based on asset value and range from .25 to .65 percent on a graduated scale.

**J-Curve Effect** – Refers to the shape of a plotted trendline depicting investment returns produced from the common practice of paying management fees and start-up costs out of the first draw on committed capital. As a result, a fund will initially show a negative return. When the first realizations are made, the fund returns start to rise steeply. After about three to five years, the interim return will give a reasonable indication of the definitive return.

**Market Value** – An opinion of value as of a certain date as stated by either the investment advisor or independent appraiser. Market value differs from amount funded or net investment in that the value includes unrealized potential gains or losses during the holding period.

**Net Assets (Market Value)** – Total assets minus liabilities based on market value.

**Net Income Return** – Expressed as a percentage, net income accrued divided by beginning net assets adjusted for time-weighted contributions and distributions. The net income return is computed as follows:

$$\left[ \frac{\text{Net Investment Income}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

## GLOSSARY

**Net Investment Income** – The amount of net income that has accrued for the period, net of advisor fees.

**Nominal Returns** – Nominal returns are unadjusted for inflation.

**Property Type** – Eleven property type categories are used throughout the report. A property is placed into a category based on its primary use, unless otherwise designated as a mixed-use property.

**Realized Gain or Loss** – The gain or loss CalPERS realized from the disposition of a real estate asset. The computation is as follows:

$$\text{Proceeds from Investments Sold} - \text{Cost of Investments Sold} - \text{Recognized Prior Period Appreciation on Investments} = \text{Realized Gain or Loss}$$

**Real Estate Investment Trust (REIT)** – Similar to a mutual fund, a REIT is a corporation or trust that combines the capital of many investors to acquire or provide financing for all forms of real estate.

**Real Estate Investment Value** – The sum of components of real estate investments at fair value. REIV is computed as follows:

$$(\text{Equity} + \text{Capital Expenditures}) + \text{Mortgages Receivable} + \text{Debt/Equity}$$

**Real Returns** – Nominal returns adjusted for inflation as follows:

$$\left[ \frac{1 + \text{Nominal Return}}{1 + \text{Inflation}} \right] = 1 + \text{Real Return}$$

**The Consumer Price Index** – Urban (CPI-U) is used for the inflation factor.

## GLOSSARY

**Time-Weighted Contributions** – The amount of capital CalPERS contributes to a property/investment during a quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[ \frac{(\text{Contrib.1} \times \text{Days to End of Quarter}) + (\text{Contrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

**Time-Weighted Distributions** – The amount of cash received by CalPERS from a property/investment during the quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[ \frac{(\text{Distrib.1} \times \text{Days to End of Quarter}) + (\text{Distrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

**Total Net Return** – The sum of the net income return and the appreciation return.

**Unrealized Gain or Loss** – The change in market value of a real estate asset over the period of analysis adjusted for several factors. The computation is as follows:

$$\left[ \begin{aligned} &\text{Ending Real Estate Investment Value} - \text{Beginning Real Estate Investment Value} - \\ &\text{Capital Expenditures/New Acquisitions} - \text{Change in Joint Venture Costs} - \\ &\text{Mortgages Funded} + \text{Principal Payments Received} + \text{Cost of Assets Sold} \end{aligned} \right]$$



**Investment Office**

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February 17, 2009

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Inflation Linked Asset Class  
Quarterly Performance Report  
as of December 31, 2008
- II. PROGRAM:** Inflation Linked Asset Class
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The enclosed Inflation Linked Asset Class (ILAC) Performance Report for the quarter ending December 31, 2008, has been prepared by staff from the Performance Monitoring Unit. The one-year total returns (as of December 31, 2008) for the ILAC were -10.5% before fees and -11.1% after fees. The since inception date for the ILAC portfolio was October 1, 2007. The since inception return of the ILAC portfolio was -5.2% after fees.

**V. STRATEGIC PLAN:**

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.



**VI. RESULTS/COSTS:**

The data in the report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This item provides information to the Investment Committee on the assets and performance of the fund.

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Alejo Gutierrez  
Investment Officer  
Performance Monitoring Unit

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Alok Jain  
Investment Officer  
Performance Monitoring Unit

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Christopher Lum  
Investment Officer  
Performance Monitoring Unit

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Dana Elliott  
Investment Officer  
Performance Monitoring Unit

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Dana Warmenhoven  
Investment Officer  
Performance Monitoring Unit

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Phil Henderson  
Investment Officer  
Performance Monitoring Unit

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Matthew Flynn  
Division Chief  
Operations, Performance &  
Technology

---

Kenneth W. Marzion  
Interim Chief Operating  
Investment Officer

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Theodore H. Eliopoulos  
Interim Chief Investment Officer



# **CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

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INFLATION LINKED ASSET CLASS

QUARTERLY REVIEW

For the quarter ended  
December 31, 2008

Prepared by the Performance Monitoring Unit

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## **A. INFLATION LINKED ASSET CLASS QUARTERLY PERFORMANCE REPORT DISCLOSURE**

CalPERS' Performance Monitoring Unit (PMU) compiles this Quarterly Performance Report (QPR) using financial information from two separate sources. For the Commodities and Inflation Linked Bonds portfolios, the PMU obtains the performance numbers from State Street Bank. For the Infrastructure and Forestland portfolios, the PMU utilizes financial information provided directly by the investment partners to calculate the performance numbers that are published in the QPR. For the Infrastructure and Forestland portfolios, CalPERS requires its investment partners to prepare and submit financial statements quarterly and to provide audited financial statements annually. CalPERS relies on the auditor's opinion regarding the financial statements. The QPR is updated to reflect the most current financial information provided by the investment partner.

The financial information for the Infrastructure and Forestland portfolios' performance lags one-quarter due to industry reporting cycles. For the Infrastructure and Forestland portfolios, each investment partner supplies its quarterly financial statements to CalPERS' Performance Monitoring Unit, for the prior quarter. The PMU reviews the financial statements and performs analytical procedures to ensure the financial reports, prepared by the partners, are consistent with prior periods and comparable with other similarly situated CalPERS investment partners. Such analytical procedures include comparisons of management and incentive fees, expenses, long-term debt, and return on equity. The financial data in the QPR is reviewed consistent with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Forestland portfolio assets are appraised using the same procedures as Real Estate assets. Independent real estate appraisal firms provide an unbiased and neutral opinion of asset value. All appraisals are completed in compliance with the Appraisal Institute's Uniform Standards of Professional Appraisal Practice. The PMU verifies that these independently appraised values are reflected in the investment partners' financial statements used to produce the QPR.

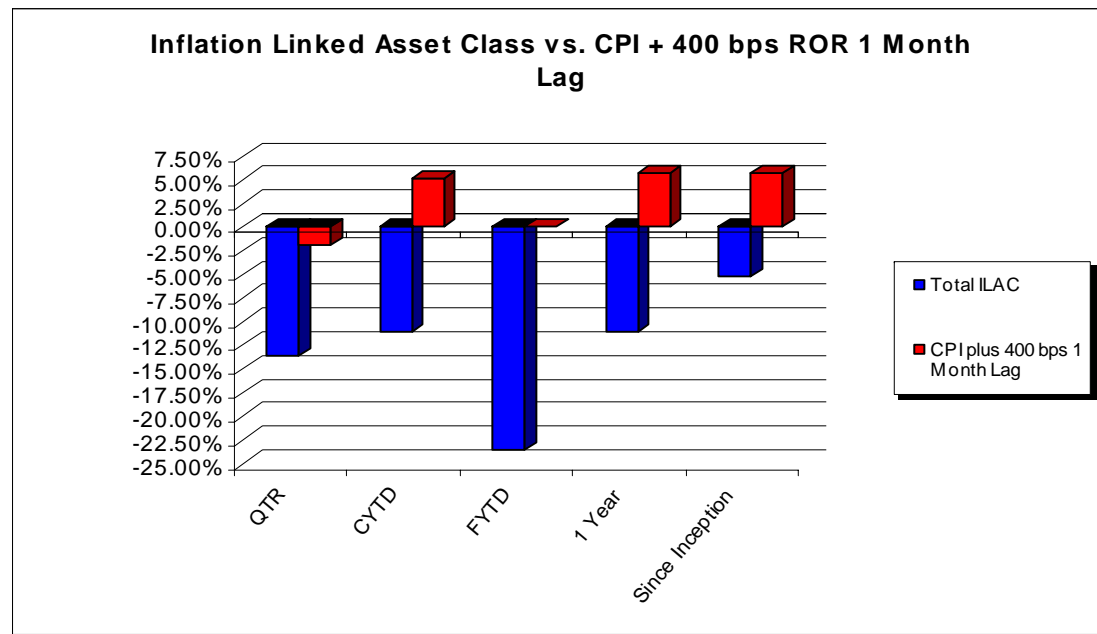
## B. TOTAL INFLATION LINKED ASSET CLASS REVIEW

### Background

In September 2007, the Investment Committee approved an Inflation Linked Asset Class (ILAC) Pilot Program comprised of Commodities, Inflation Linked Bonds, Infrastructure and Forestland, as well as the reclassification of existing investments into the ILAC. In December 2007, the Investment Committee adopted an asset allocation policy establishing the ILAC allocation target of up to 5%. In February 2008 the Investment Committee adopted the overall asset class policy and the policies for Commodities, Inflation Linked Bonds, and Forestland. In August 2008 the Investment Committee adopted the policy for Infrastructure.

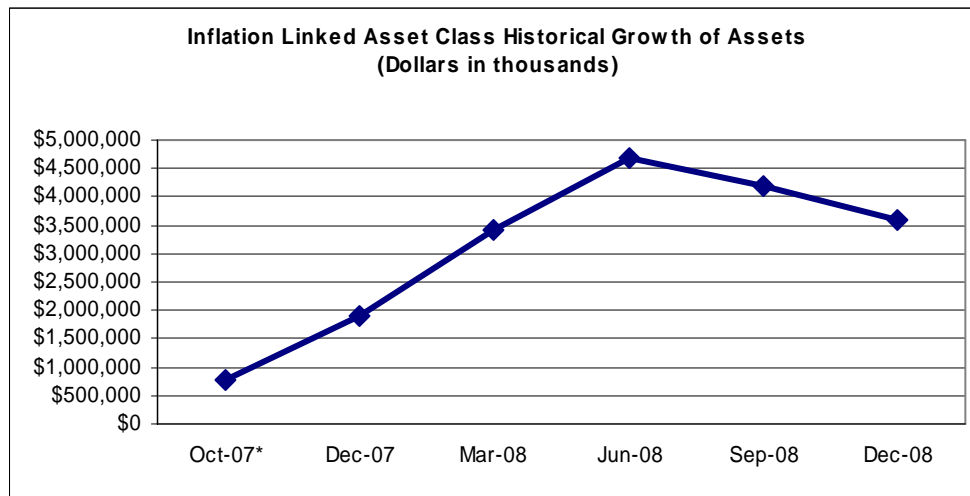
### Total Asset Class Performance Review

ILAC generated a Total Return of -13.55% for the quarter ended December 31, 2008. ILAC's return under performed its policy benchmark by 1,159 basis points. The returns shown in the chart below are not annualized.



## ILAC Historical Growth of Assets

ILAC assets are valued at \$3.6 billion from its initial investment of \$765 million.



## ILAC Allocation versus Target Weight of Total Fund

Portfolio	Dec 2008 Actual Allocation	Dec 2008 Target Allocation	Sep 2010 Target Allocation
Infrastructure	0.08	0.60	1.50
Commodities	0.30	0.60	1.50
Inflation Linked Bonds	0.74	0.40	1.00
Forestland	0.85	0.40	1.00
<b>Total ILAC</b>	<b>1.97%</b>	<b>2.00%</b>	<b>5.00 %</b>

\* Inception Date October 1, 2007

## C. PORTFOLIO REVIEW

### Portfolio Performance Review

The Infrastructure and Forestland partners and Commodities portfolio's quarterly returns outperformed their respective benchmarks by 187 basis points, 156 basis points and by 104 basis points for the quarter. The Inflation Linked Bonds portfolio quarterly return underperformed its respected benchmark by 10 basis points for the quarter.

<b>INFLATION LINKED ASSET CLASS PERFORMANCE SUMMARY (Net of Fees)</b> <b>AS OF DECEMBER 31, 2008</b> <b>(Dollars in Thousands)</b>								
	<u>EMV</u>	<u>QTR</u>	<u>CYTD</u>	<u>FYTD</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>ITD</u>
SWGM – INFRASTRUCTURE*	\$149,535	0.17	-6.47	-3.31	-6.47			-6.47
CPILAG5 - CPI + 500 BPS 1 MONTH LAG		-1.70	6.10	0.59	6.10			6.10
SWKP – INTERNAL COMMODITIES PERF ACCTG**	\$553,015	-45.99	-47.35	-62.54	-47.35			-34.69
CPERGSCI - GSCI Total Return DAILY		-47.03	-46.72	-62.20	-46.72			-34.05
SWGN - INFLATION LINKED BONDS	\$1,348,716	-4.76		-10.05				-10.49
CPERLTPI - LEHMAN GI. INF-LINKED CUST. COUNTRY		-4.66		-10.04				-10.35
SWGL – FORESTLAND*	\$1,552,902	-0.14	13.82	0.25	13.82			13.82
CPILAG5 - CPI + 500 BPS 1 MONTH LAG		-1.70	6.10	0.59	6.10			6.10
SX3CA1 – INFLATION LINKED LESS COMMODITIES	\$3,051,153	-2.06	3.79	-4.56	3.79			3.07
SX2CA1 - TOTAL INFLATION LINKED	\$3,604,168	-13.55	-11.08	-23.50	-11.08			-5.18
CPILAG4 - CPI + 400 BPS 1 MONTH LAG		-1.96	5.10	0.09	5.10			5.74
* Infrastructure and Forestland returns and Ending Market Value are lagged by one quarter.								
** SWKP represents the PERF ownership of the unitized Commodities composite (SX1CA1).								



**INFLATION LINKED ASSET CLASS PERFORMANCE SUMMARY (Gross of Fees)**  
**AS OF DECEMBER 31, 2008**  
**(Dollars in Thousands)**

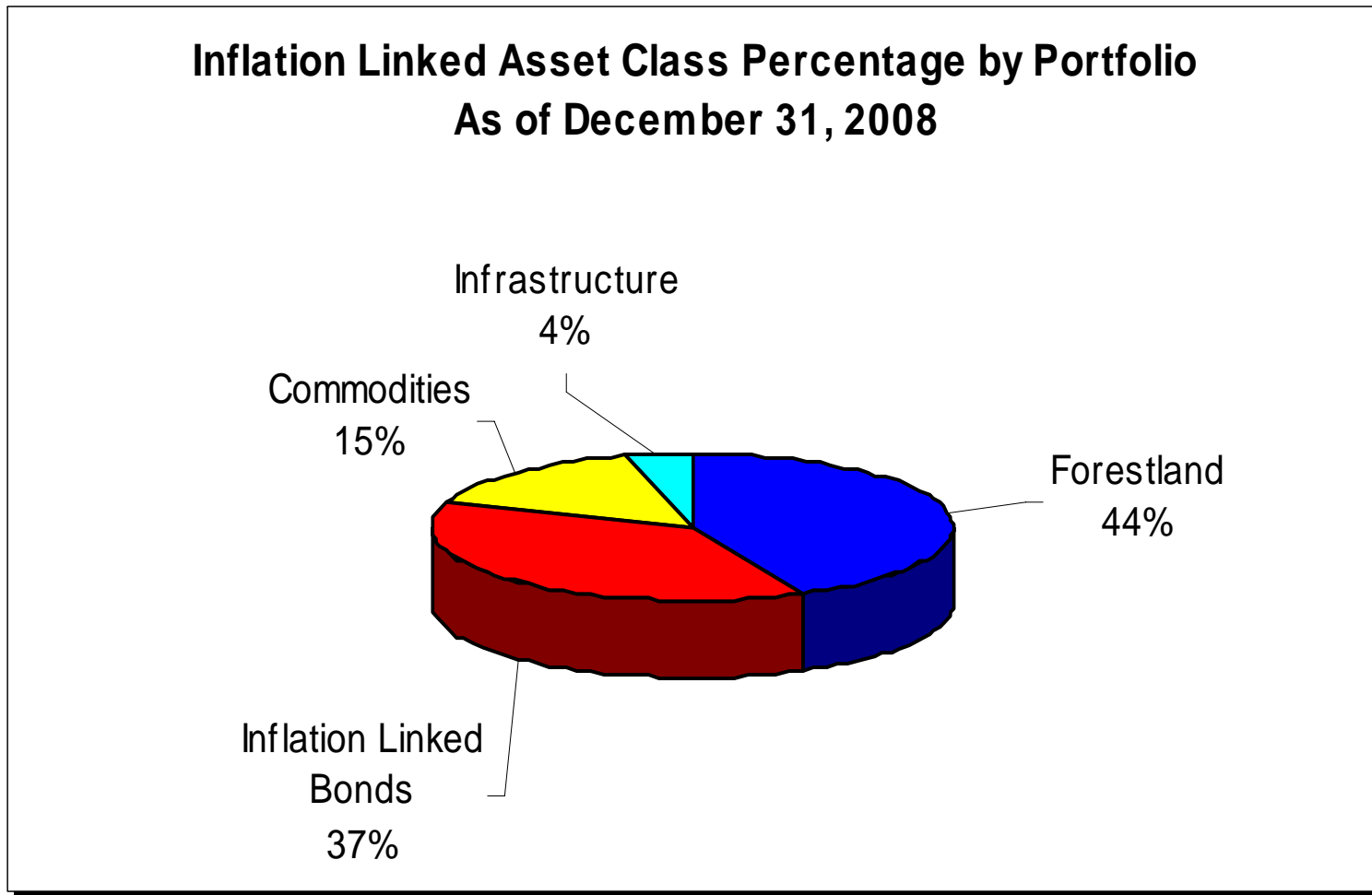
	<u>EMV</u>	<u>QTR</u>	<u>CYTD</u>	<u>FYTD</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>ITD</u>
SWGM – INFRASTRUCTURE*	\$149,535	1.51	1.52	-0.82	1.52			1.52
CPILAG5 - CPI + 500 BPS 1 MONTH LAG		-1.70	6.10	0.59	6.10			6.10
SWKP – INTERNAL COMMODITIES PERF ACCTG**	\$553,015	-45.99	-47.35	-62.54	-47.35			-34.69
CPERGSCI - GSCI Total Return DAILY		-47.03	-46.72	-62.20	-46.72			-34.05
SWGN - INFLATION LINKED BONDS	\$1,348,716	-4.76		-10.05				-10.49
CPERLTPI - LEHMAN GI. INF-LINKED CUST. COUNTRY		-4.66		-10.04				-10.35
SWGL – FORESTLAND*	\$1,552,902	-0.05	14.74	0.39	14.74			14.74
CPILAG5 - CPI + 500 BPS 1 MONTH LAG		-1.70	6.10	0.59	6.10			6.10
SX3CA1 – INFLATION LINKED LESS COMMODITIES	\$3,051,153	-1.98	4.68	-4.42	4.68			3.78
SX2CA1 - TOTAL INFLATION LINKED	\$3,604,168	-13.49	-10.51	-23.40	-10.51			-4.69
CPILAG4 - CPI + 400 BPS 1 MONTH LAG		-1.96	5.10	0.09	5.10			5.74

\* Infrastructure and Forestland returns and Ending Market Value are lagged by one quarter.

\*\* SWKP represents the PERF ownership of the unitized Commodities composite (SX1CA1).

## ILAC Diversification by Portfolio

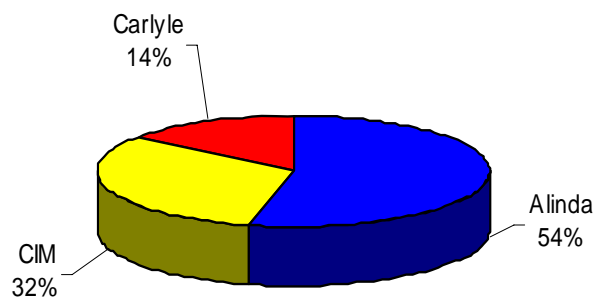
The chart below shows ILAC's diversification by percentage of portfolio market value.



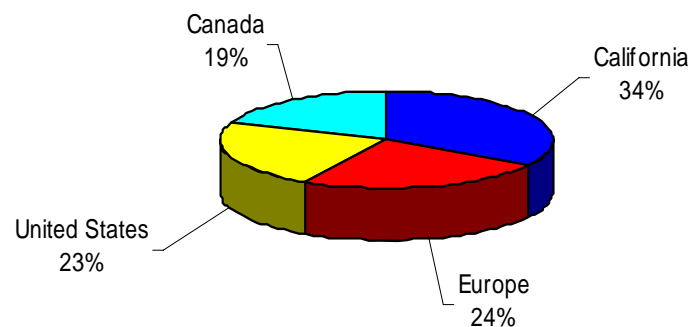
## **Infrastructure Portfolio Diversification**

The Net Assets at Fair Market Value of the Infrastructure portfolio can be broken out into the individual partnerships. Currently there are 3 partnerships in the Infrastructure portfolio. Currently 57% of these 3 partnership's investments are inside the United States. Investments in California total 34%. The charts below show the Infrastructure portfolio composition, in percentage terms of Net Asset Value, by partnership and by geographical location.

**Infrastructure Investments Percentage by Partnership**  
As of December 31, 2008\*



**Infrastructure Portfolio Diversification by Geographical Location**  
As of December 31, 2008\*

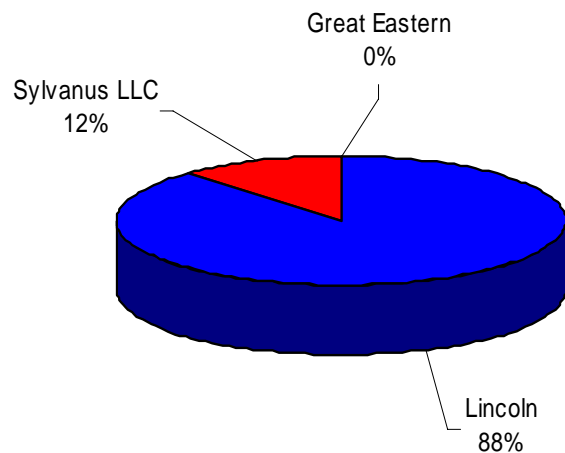


*\*Infrastructure's Net Assets at Fair Market Value are lagged one quarter.*

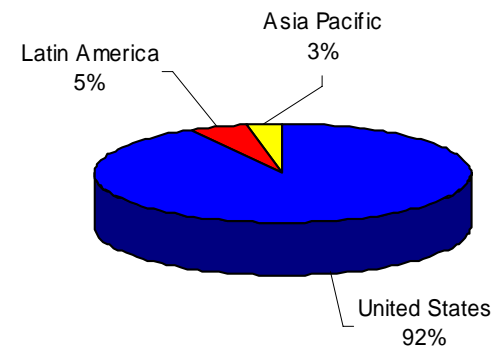
## **Forestland Portfolio Diversification**

The Net Assets at Fair Market Value of the Forestland portfolio can be broken out into the individual partnerships. Currently there are 3 partnerships in the Forestland portfolio. Currently 92% of these 3 partnership's investments are in the United States. None of the assets held by these partnerships are in California. The charts below show the Forestland portfolio composition, in percentage terms of Net Asset Value, by partnership and by geographical location.

**Forestland Investments Percentage by Partnership**  
**As of December 31, 2008\***



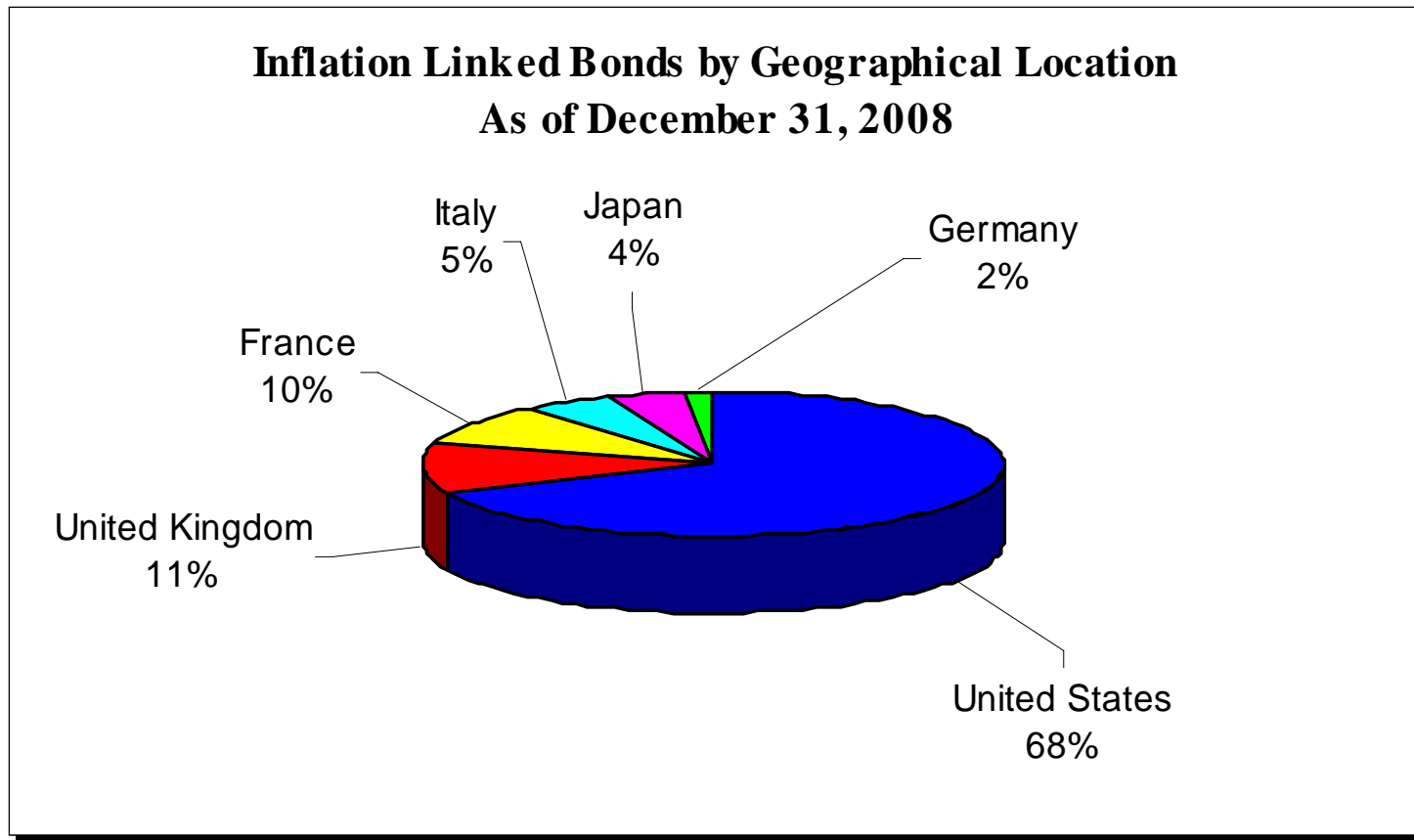
**Forestland Portfolio Diversification by Geographical Location**  
**As of December 31, 2008\***



*\*Forestland's Net Assets at Fair Market Value are lagged one quarter.*

### **Inflation Linked Bonds Portfolio Diversification**

The chart below shows the geographical concentration of the Inflation Linked Bond Portfolio. As of December 31, 2008, 68% of the portfolio is invested in the United States.



## D. PORTFOLIO DETAIL

### Partner Performance Review

The table below shows the detail Net Assets at Fair Market Value, the Time Weighted Returns, and the Internal Rate of Returns Net of Fees for Infrastructure and Forestland partners.

<b>Inflation Linked Asset Class</b> <b>Performance Detail by Portfolio and by Partnership/Account (Net of Fees)</b> <b>For the Period Ending December 31, 2008<sup>1</sup></b>							
<u>Net Assets at Fair Market Value</u>			<u>Time Weighted Returns Net of Fees<sup>2</sup></u>				<u>Net IRR<sup>3</sup></u>
	<b>Inception Date</b>	<b>Amount</b>	<b>Quarter</b>	<b>1-Yr</b>	<b>3-Yr</b>	<b>Since Inception</b>	<b>IRR</b>
<b><u>Infrastructure</u></b>							
Alinda Infrastructure Fund I, L.P.	7-May	\$80,249,540	4.6%	5.7%	N/AP	5.7%	5.0%
CIM Infrastructure Fund	7-Nov	\$47,786,848	-5.7%	N/M	N/AP	N/M	N/M <sup>5</sup>
Carlyle Infrastructure Partner LP	7-Oct	\$21,498,204	-10.4%	-30.4%	N/AP	-30.4%	-38.3%
<b>Total Infrastructure Portfolio</b>	7-May	<u>\$149,534,592</u>	<u>0.2%</u>	<u>-6.5%</u>	<u>N/AP</u>	<u>-6.5%</u>	
<b><u>Forestland</u></b>							
Great Eastern Timber Company (GETCO)	7-Oct	\$190,982	0.0%	0.0%	N/AP	0.0%	0.7%
Lincoln Timber Company (Campbell)	7-Oct	\$1,366,122,702	-0.3%	11.4%	N/AP	11.4%	21.4%
Sylvanus LLC (Global Forest Partners)	7-Oct	\$186,588,659	1.2%	26.2%	N/AP	26.2%	17.8%
<b>Total Forestland Portfolio</b>	7-Oct	<u>\$1,552,902,342</u>	<u>-0.1%</u>	<u>13.8%</u>	<u>N/AP</u>	<u>13.8%</u>	
<b>Benchmark: CPI plus 500 bps 1 Month Lag</b>			<u>-1.7%</u>	<u>6.1%</u>	<u>N/AP</u>	<u>6.1%</u>	

- <sup>1</sup> Infrastructure and Forestland returns and Net Assets at Fair Market Value are lagged one quarter. Therefore, the December 31, 2008 returns represent returns as of September 30, 2008.
- <sup>2</sup> Time weighted returns are calculated based on the inception date of October 1, 2007 which represents the inception date of the Inflation Linked Asset Class.
- <sup>3</sup> Internal Rates of Return (IRRs) are calculated from the since inception date of the partnership. The partnerships' since inception date may precede the ILAC inception date of October 1, 2007.
- <sup>4</sup> Current quarter and Since Inception returns are "N/M" not meaningful due to negative net investment income relative to a negative NAV.
- <sup>5</sup> IRR is not meaningful due to negative terminal value.
- <sup>6</sup> Current quarter after fee return is higher than before fee return due to negative accrued incentive fee.

The table below shows the detail Net Assets at Fair market Value and the Time Weighted Returns Gross of Fees for Infrastructure and Forestland partners.

<b>Inflation Linked Asset Class</b> <b>Performance Detail by Portfolio and by Partnership/Account (Gross of Fees)</b> <b>For the Period Ending December 31, 2008<sup>1</sup></b>						
	<u>Net Assets at Fair Market Value</u>		<u>Time Weighted Returns Gross of Fees<sup>2</sup></u>			
	<b>Inception Date</b>	<b>Amount</b>	<b>Qtr</b>	<b>1-Yr</b>	<b>3-Yr</b>	<b>Since Inception</b>
<b><u>Infrastructure</u></b>						
Alinda Infrastructure Fund I, L.P.	7-May	\$80,249,540	5.1%	8.0%	N/AP	8.0%
CIM Infrastructure Fund	7-Nov	\$47,786,848	0.0%	N/M	N/AP	N/M
Carlyle Infrastructure Partners LP	7-Apr	\$21,498,204	-8.9%	-16.7%	N/AP	-16.7%
<b>Total Infrastructure Portfolio</b>	7-May	<u>\$149,534,592</u>	<u>1.5%</u>	<u>1.5%</u>	<u>N/AP</u>	<u>1.5%</u>
<b><u>Forestland</u></b>						
Great Eastern Timber Company (GETCO)	7-Oct	\$190,982	0.0%	0.0%	N/AP	0.0%
Lincoln Timber Company (Campbell)	7-Oct	\$1,366,122,702	-0.2%	11.9%	N/AP	11.9%
Sylvanus LLC (Global Forest Partners)	7-Oct	\$186,588,659	1.1%	29.2%	N/AP	29.2%
<b>Total Forestland Portfolio</b>	7-Oct	<u>\$1,552,902,342</u>	<u>0.0%</u>	<u>14.7%</u>	<u>N/AV</u>	<u>14.7%</u>
<b>Benchmark: CPI plus 500 bps 1 Month Lag</b>			<u>-1.7%</u>	<u>6.1%</u>	<u>N/AP</u>	<u>6.1%</u>



- <sup>1</sup> Infrastructure and Forestland returns and Net Assets at Fair Market Value are lagged one quarter. Therefore, the December 31, 2008 returns represent returns as of September 30, 2008.
- <sup>2</sup> Time weighted returns are calculated based on the inception date of October 1, 2007 which represents the inception date of the Inflation Linked Asset Class.
- <sup>4</sup> Current quarter and Since Inception returns are "N/M" not meaningful due to negative net investment income relative to a negative NAV.

## E. INFRASTRUCTURE PORTFOLIO DESCRIPTION

The Infrastructure advisors/investments have varying investment mandates established by CalPERS and include the following:

- ◆ ***Alinda Infrastructure Fund I, L.P.*** – Alinda Infrastructure Fund I, L.P. was established to capitalize on attractive investment opportunities in infrastructure in the United States and Europe. The fund will target investments that provide essential services to communities, governments, and business within public infrastructure, energy infrastructure, and industrial infrastructure. The fund is targeting high current income and long-term capital appreciation.
- ◆ ***CIM Infrastructure Fund, L.P.*** – CIM Infrastructure Fund, L.P. was formed for the purposes of making opportunistic investments in and development of infrastructure assets. The Infrastructure Fund is an extension of CIM's urban investment strategy, focusing on public goods and services (including: transportation, energy and utilities, natural resources, social services and facilities, and communications) as the basic pillars of growing communities.
- ◆ ***Carlyle Infrastructure Partners, L.P.*** – Carlyle Infrastructure Partners, L.P. was formed for the purpose of investing in U.S. and Canadian infrastructure investments such as toll roads, bridges, tunnels, railway assets and wastewater treatment facilities.

## F. FORESTLAND PORTFOLIO DESCRIPTION

The Forestland advisors/investments have varying investment mandates established by CalPERS and include the following:

- ◆ ***Sylvanus, LLC*** - CalPERS invests in approximately 54,554 acres of tree farms in Brazil and 35,271 acres in the New South Wales province of Australia through a co-investment partnership.
- ◆ ***Great Eastern Timber Co. LLC (GETCO)*** – GETCO is a limited liability company organized on January 31, 2000 to invest in timberland properties located in the northeastern and southern United States of America. As of March 31, 2008, CALPERS' Capital balance (based on a 98.13% ownership) was \$208,424 out of a total Capital balance of \$212,396 for GETCO. On December 29, 2004, the last timberland investment was sold. GETCO will terminate in 2011 unless terminated sooner in accordance with the terms of the Operating Agreement.
- ◆ ***Lincoln Timber, L.P.*** – The partnership was formed on October 26, 2007 for the purpose of investing in timberland in the United States. The partnership currently owns indirect ownership in timberlands in Texas, Louisiana, Georgia and Alabama through the Campbell Opportunity Fund A, LP. The fund is managed by The Campbell Group and CalPERS' capital commitment is \$1.25 billion with an approximate 72% share of total equity.

## G. PERFORMANCE MEASUREMENT GLOSSARY

**Annualized Time-Weighted Return** – When returns for a period other than one year are put on an annual basis. For example, an individual quarter return would be annualized as follows:

$$[(1 + \text{Quarter Return})^4] - 1 = \text{Annualized Return}$$

**Appreciation Component of Time-Weighted Return (Infrastructure and Forestland)** – Expressed as a percentage, the change in market value over the period of analysis. The appreciation return is computed as follows:

$$\left[ \frac{\text{Realized} + \text{Unrealized Gain or Loss}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

For assets which continue to be held, the appreciation is unrealized. When assets are sold, the appreciation is realized.

**Compounding (Linking) of Time-Weighted Returns** – Returns are geometrically compounded (linked) on a quarterly basis. For example, the annual return for four quarters would be:

$$(1 + Q1)(1 + Q2)(1 + Q3)(1 + Q4) = (1 + \text{Annual Return})$$

**Internal Rate of Return (IRR)** – Dollar weighted rate of return that shows profitability as a percentage, showing the return on each dollar invested. IRR equates the present value of a partnership's estimated cash flows (CF) with the present value of the partnership's costs. After fees (AF) IRR is calculated after all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. Please note, for CALPERS reporting purposes, it is assumed that Partnership Contributions (outflows from CALPERS) and Distributions (inflows into CALPERS) represent net amounts, after all fees have been accounted for.

IRR is the quarterly discount rate that makes the following relationship hold:

$$\text{Present Value (inflows)} = \text{Present Value (investment costs)}$$

IRR is computed as follows:

$$CF_0 + CF_1 / (1 + \text{IRR}) + CF_2 / (1 + \text{IRR})^2 + CF_3 / (1 + \text{IRR})^3 \dots CF_n / (1 + \text{IRR})^n = 0$$

**Investment Fees** – Generally include acquisition, asset management and disposition fees paid to third party firms. Acquisition and disposition fees are calculated on a per transaction basis and range from 0 to .85 percent and 0 to .60 percent, respectively, on a graduated scale. Asset management fees are based on asset value and range from .25 to .65 percent on a graduated scale.

**J-Curve Effect** – Refers to the shape of a plotted trendline depicting investment returns produced from the common practice of paying management fees and start-up costs out of the first draw on committed capital. As a result, a fund will initially show a negative return. When the first realizations are made, the fund returns start to rise steeply. After about three to five years, the interim return will give a reasonable indication of the definitive return.

**Market Value** – The current listed price at which investors buy or sell securities at a given time.

**Market Value (Infrastructure and Forestland)** – An opinion of value as of a certain date as stated by either the investment advisor or independent appraiser. Market value differs from amount funded or net investment in that the value includes unrealized potential gains or losses during the holding period. Real Estate Market Value is synonymous with **Net Assets at Fair Market Value** (see below).

**Net Assets at Fair Market Value** – Total assets minus liabilities based on market value. See also **Market Value (Infrastructure and Forestland)**.

**Net Income Component of Time-Weighted Return** – Expressed as a percentage, net income accrued divided by beginning net assets adjusted for time-weighted contributions and distributions. The net income return is computed as follows:

$$\left[ \frac{\text{Net Investment Income}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

**Net Investment Income** – The amount of net income that has accrued for the period, net of advisor fees.

**Nominal Returns** – Nominal returns are unadjusted for inflation.

**Real Returns** – Nominal returns adjusted for inflation as follows:

$$\left[ \frac{1 + \text{Nominal Return}}{1 + \text{Inflation}} \right] = 1 + \text{Real Return}$$

**The Consumer Price Index** – Urban (CPI-U) is used for the inflation factor.

**Time-Weighted Contributions** – The amount of capital CalPERS contributes to a property/investment during a quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[ \frac{(\text{Contrib.1} \times \text{Days to End of Quarter}) + (\text{Contrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

**Time-Weighted Distributions** – The amount of cash received by CalPERS from a property/investment during the quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[ \frac{(\text{Distrib.1} \times \text{Days to End of Quarter}) + (\text{Distrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

**Time-Weighted Return (Commodities and Inflation Linked Bonds)** – Also known as a Holding Period Return. It is calculated as follows:

$$\text{TWR} = \frac{\text{Ending Market Value} - \text{Beginning Market Value} - \text{Net Cash Flow}}{\text{Beginning Market Value}} \times 100$$

Also see definitions for **Annualized Time-Weighted Return** and **Compounding (Linking) of Time-Weighted Returns**.

**Time-Weighted Return (Infrastructure and Forestland)** – The sum of the net income return and the appreciation return. It is calculated as follows:

$$\text{TWR} = \frac{\text{Realized} + \text{Unrealized Gain/Loss} + \text{Net Investment Income Gain/Loss}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \times 100$$